Officials attempt to slash benefit frauds

by Belinda Gillespie

THE Department of Social Welfare last year lost a cool $750,000 in benefit frauds and thefts. But Post Office and Social Welfare officials have devised a system which they hope will slash the cost to the State of benefits pocketed by petty criminals.

The department loses most money in the form of stolen orders. About 15,000 thefts occur each year. But by March, 1980, the new system should eliminate all but a few of these.

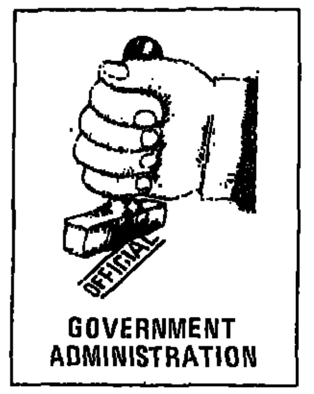
John Grant, assistant director-general of Social Welfare, said the alteration of cheques was a relatively small area of abuse.

Frauds ranged from primitive to more sophisticated attempts, at a rate of about 30 over the last six months, amounting to a sum of no more than $10,000.

Nearly all of these frauds had been attempted by beneficiaries themselves, and generally involved increasing the denomination of cheques by altering the number of digits — $6 to $706, or $12 to $512, for example.

The computer doesn't write the sum out in words as well as figures — a slow and expensive process. But the forgers have been countered by printing "Pay under $100" or "Pay under $200" as appropriate on cheques.

The trend is away from fraud-vulnerable cheques. First, the department is steadily extending its direct credit scheme, with almost 70 per cent of family benefit and superannuation recipients now paid by this method.



All new grants of family benefit are now automatically paid by direct credit. The remaining 30 per cent who still get an order will receive a letter this month asking them to change over to the direct credit system.

Last year direct credit was extended to war pensions, invalids and widows' benefits, with about 40 per cent now converted to this method.

From September on, domestic purpose beneficiaries will also be encouraged to change to direct credit payments.

But the real brain-child of Social Welfare and the Post-Office is aimed at those who are unmoved by the convenience of direct crediting, and prefer to have their cash in hand.

The "cash-equivalent" system has been developed using direct credit principles, to virtually eliminate cheques.

As well as appealing to the elderly, who often prefer the cash benefit, the system is considered more suitable for unemployment and sickness benefits, where payments are on a temporary basis.

Working already for some superannuation beneficiaries, the "personalised Post Office cash system" will be available on a wider scale later this year.

Through the Post Office on-line-computer-system, the department arranges to pay money into special accounts for individual recipients.

Each one has an ID card and pass-book which has a signature using a "black-light" system, very difficult to forge.

The amount paid out is entered in the pass-book, doubling the check.

The lag between someone applying for a benefit and receiving it will be about the same as now, with an initial payment being made by cheque if necessary.

Because nearly all beneficiaries who collect cash get it at the Post Office already, the work-load in this respect will be about the same as it is now.

Social Welfare has taken other measures to protect itself against fraud.

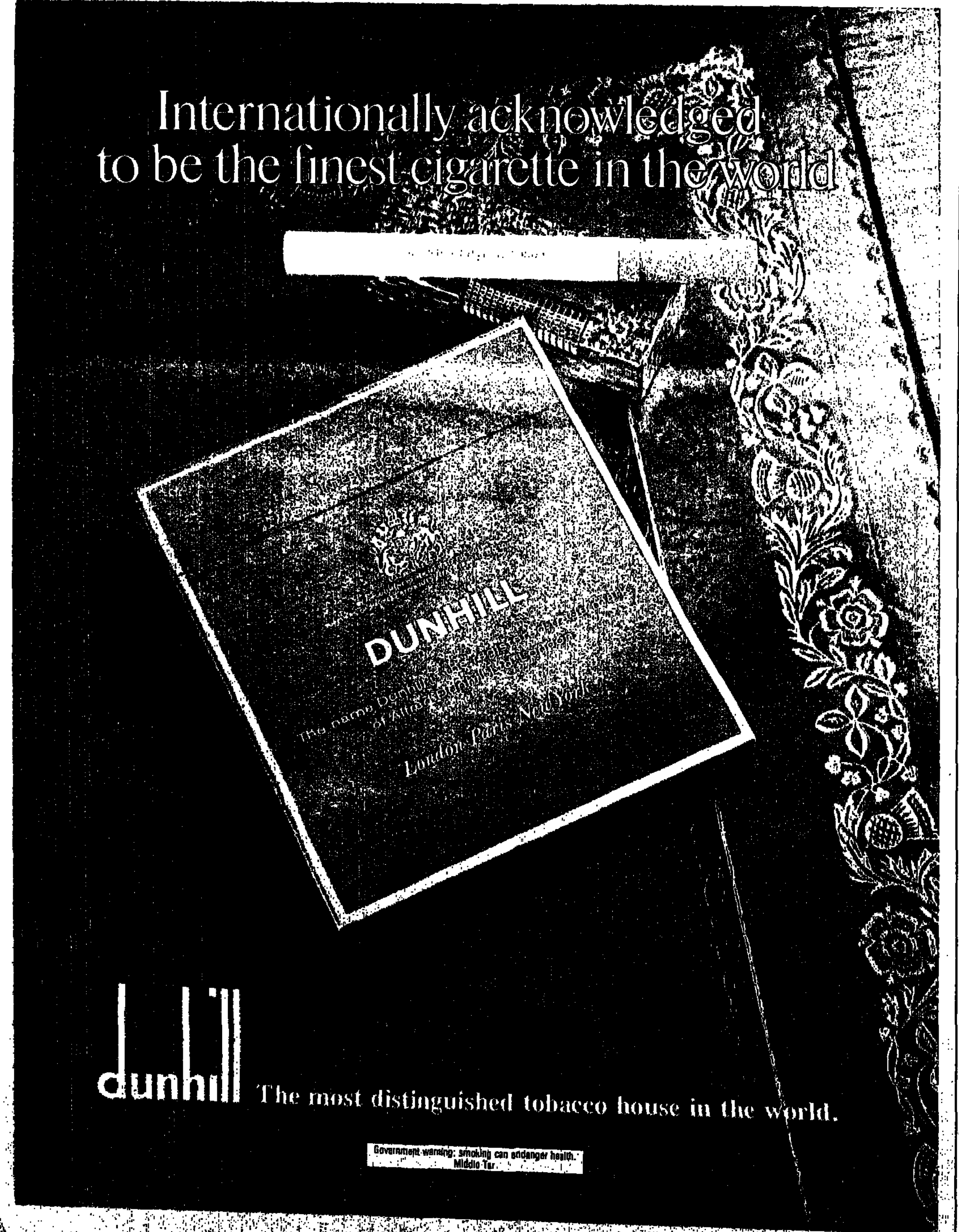
The department has altered the design of its orders to make them much harder to duplicate by photographic or printing processes.

It has told the New Zealand Retailers Federation to impress members with the need to check identification of everyone who present orders for payment, and plans to seek refunds from retailers who cash benefits for people not entitled to them.

New Zealand is not alone in suffering abuses to the benefit system, according to Grant.

He said Australia and Canada had been in a similar situation. He admitted that the "pros" would still be able to beat the system if they tried.

With 900,000 of the 1 million fortnightly payments moved on to either the direct credit or cash equivalent system by March next year, their activities would be severely curtailed. While the effort to remove the remaining orders from the system would continue next year, "The programme is the limit to which our resources and those of the Post Office and other banks can extend this year."



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NATIONAL BUSINESS REVIEW

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Consumer protection fund covers finance house

by John Draper

A FUND set up to protect the public from unscrupulous car dealers is being used to meet the losses of finance houses and the motor trade.

In 1975 Parliament passed an Act setting up a fidelity fund to give Licensed Motor Vehicle Dealers Institute a more professional and respectable image.

Since then the fund has twice fallen below its legal minimum limit of $250,000 and required a special levy to top it up.

Most of the payouts have been to finance houses, with only a few to the consumers the act was designed to protect.

The fund was primarily set up to compensate the victims of fly by night dealers who bought cars with rubber cheques and sold without first clearing outstanding finance payments.

The fund also gave a measure of back up to warranty regulations where there was a dispute between customer and dealer.

Earlier this year the institute paid out more than $17,000 from the fund following the collapse of Wellington's Capital Motors. Most of that was to people left with dishonoured cheques after selling cars to the firm.

But big car dealers and finance houses have been using the fund to collect on their commercial debts with smaller dealers, many of whom were in severe financial trouble during the sales downturn of recent years.

It has been common practice for manufacturers, main dealers and finance houses to underwrite the cost of cars standing on a smaller dealer's showroom floor.

As security, they have been accepting post dated cheques for amounts ranging from $60,000 to $100,000.

And when the small dealer goes into liquidation, having sold the cars, and let the post dated cheque bounce, the main dealers and finance houses are claiming on the fidelity fund for the whole amount.

The 1975 Act does not limit the protection given to those selling or buying with licensed dealers to private individuals in anyway.

But now the institute is pressing for an amendment to the law.

It specifically wants to exclude finance houses, which are taking a normal commercial risk by lending to a dealer and wholesalers or assemblers who are advancing cars on credit.

The institute's executive director, Colin Stone, says the finance houses are acting within the law as it stands.

"They have legitimately been able to make claims," he said.

The 1975 Act also gives the institute powers to protect the fund by making sure dealers keep their books in order.

To do this, the institute has appointed two roving auditors, one based in Auckland and the second in Christchurch.

The auditors make random checks on dealers. Their findings resulted in a disciplinary action and fines against several rule breakers.

Last December, Ross Allan Gordon of Wellington, was fined $325, Kent Car Sales Ltd, also of Wellington $350, and Peter Hogg Motors Ltd of Palmerston North, $300.

Offences included: issuing cheques without sufficient funds in the bank; displaying vehicles for sale without complete details; failing to make sure that vehicles displayed for sale were free of any lien by a third party; and a failure to keep adequate records.

Some dealers, particularly in Auckland, have been highly critical of the institute's policing methods.

One Auckland dealer is known to have physically removed the investigator from his premises.

Stone admits there were some problems convincing Auckland dealers of the need for random audits, despite an extensive education programme to explain the need for the fund.

"Honest dealers who have had a call from the auditors have welcomed the visit," he said.

"The auditors have been able to give many dealers guidance on how to keep their records straight.

New members pay $100 on joining the institute plus another $10 a year into the fund. Higher payments are also made in the third and fourth years of membership.

"The institute was fully consulted before the Act became law," he said.

"But it was passed very quickly and with all new legislation there is bound to be teething problems."

The Law Drafting Office is now working on an amendment after extensive negotiations between the institute and the Justice Department.

The final edition is expected to go before Parliament later this year.

Meanwhile, the institute is proposing another special levy on its 2500 members to bring the fund up to its statutory $250,000.

Inside:

CPI lifts wage-bid hopes

Economics Correspondent

BLACK Friday provided Jim Knox with some useful ammunition as he prepared to fight his first battle for a general wage order as president of the FOL.

That ammunition was a Consumer Price Index figure for the June quarter inflation of 4.5 per cent.

There has been only one bigger increase in the last seven years — a 4.8 per cent increase in the June quarter 1976.

Last week's news spelled the end to any Government hopes of reducing inflation to below 10 per cent.

Employers can take scant comfort from the likelihood that the June and September quarters will be as bad as back in 1976 (although quarterly increases should taper off by the December quarter).

Last week's announcement of a quarterly increase of 4.5 per cent brought the increase in inflation for the year to June to 12.4 per cent and was the equivalent, when compounded, to a yearly equivalent of 19.25 per cent.

Food certainly was the biggest contributor to the last quarter's result (accounting for 40 per cent of the increase). Some of this reflected good news for our produce on export markets — but some resulted directly from Government influences. For example, the price of milk has gone up by 50 per cent; butter is up 18 per cent; sugar is up 13 per cent.

There are other Government influences — above all, the hike in electricity charges.

More recently, there have been increased rail charges, post office charges — and the price of petrol.

And there have been sales taxes, the lifting of price controls, and the currency measures announced in the Budget.

The effects will show more clearly in the next quarter.

Probably the most irrational of these is the increase in the electricity tariff. When he announced it, the Prime Minister asserted that the increase would boost the CPI by only 1 per cent. It is a matter for speculation just how he could be so positive.

In the background, of course, is the International Energy Agency which has advanced the reasoning that we should lift the price of electricity to pay for the construction of power stations from revenue surpluses. The Government is obliged to heed the agency because of its hopes for a fair deal if the oil crisis should compel international allocations of oil supplies.

But the fact is the Government did push up the price by an enormous amount and this means hefty increses in prices throughout the economy — for householders, manufacturing, transport, farmers.

Meanwhile the Government is showing signs of nervousness about its economic policies. That explains the desire to set up a fiscal regulator — a mechanism to change tax rates without the blessing of Parliament.

Obviously, the Government is apprehensive that the tax cuts to take effect in October will be insufficient to stimulate the economy as intended.

That in turn shows a lack of confidence in the Budget package, which means the wage issue will be settled in a climate of distinct uncertainty.

Sledgehammer tactics stir industrial memories

by Colin James

THE Government's persistent waving of the big stick as its contribution to the improvement of industrial relations is raising in some people's imaginations a spectre of 1951.

Last month the sledgehammer of derecognition of the whole Public Service Association to crack the nut of electrical workers' discontent about house rents.

Last week the prison door of wage regulation for everybody to punish a two-day strike by drivers, the ploy that worked (or did it?) in February when Bill Andersen's engine-drivers were troubling the breweries.

Both sticks waved, then put away, in what seems to be becoming the Prime Minister's hallmark. But some people see a growing and sinister urgency in his resort to threats over recent months.

They see an unrequited bloodlust, nurtured on memories of Sid Holland's spectacular smashing of the watersiders in 1951.

Parallels are seen.

Industrial unrest has grown during the 1970s as it did during the late 1940s and there are some tough-minded and resourceful unions and union leaders who scare decent citizens in their beds.

The union movement has lurched left, reviving memories of communist influence 30 years ago.

The Government is in economic trouble. Inflation is roaring, as it was in 1951.

A major confrontation with a union or unions, followed by a snap election, may be the diversion that will save the National Party.

An added piquancy is the Prime Minister's own shaky leadership. A repeat of 1951 might just restore him to his pre-election unassailability.

If you want an issue, try the Chile trade ban, which can be presented to the public as sabotaging vital exports.

So the argument runs.

My instinct has been to dismiss it as far-fetched, on the grounds that the stakes are too high and the cards too uncertain for any Government to deliberately play that hand.

But recently I have come across the theory among worried liberal National Party members, scared Public Service Association members and unionists.

Union leaders, particularly since the change in the FOL leadership, look like they're walking on eggs.

Note how quietly they have taken the legislation to keep unions out of joint venture fishing operations. Once upon a time such an assault on their rights to organise would have had them jumping up and down.

I have not heard much public concern over the German industrialists' hints to ministers that they would not eagerly risk money on New Zealand's English-style unions.

The FOL also tiptoed most gingerly round the PSA and railwaymen's disputes and then obeyed the Prime Minister's peremptory summons last week to call off the drivers' strike.

If these are examples of the rampant militancy the Socialist Unity Party is bringing to the FOL, it will be interesting to watch its displays of moderacy.

The problem for union leaders is that they are sitting on top of volcanoes that are heating up. Repeatedly this year people lower down the line have taken matters into their own hands.

The result has been that the past six months have at times seemed chaotic — not just to you, gentle reader, but to the union leaders who have been getting the blame.

At this point it is worth recalling what happened in 1951.

At that time the Cold War was at its height. The Soviet Union had not long ago got its own atomic bomb. It had blockaded West Berlin in a trial of strength with the west. Communists had taken over in eastern Europe, China, North Korea and North Vietnam. A holy war was being fought against China in Korea.

Perfectly sane people believed, with what seemed good reason, that the west was in danger of being engulfed by communism — if not by external aggression, then by internal subversion.

In the late 1940s the Labour Government had panicked at communist influence in some unions and turned sharply to the right, taking most of the Federation of Labour with it.

With FOL acquiescence the Fraser Government used newly acquired legislative powers to dismantle the communist-led carpenters union in 1949, even though at one stage the dispute which prompted the action was close to settlement.

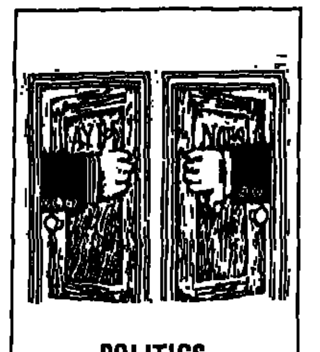
Peace time conscription followed and Fraser seemed to be shaping up to take on the watersiders when he lost office. In 1950 the watersiders seemed to confirm his fears by pulling out of the FOL with some other unions and joining the communist-dominated World Federation of Trade Unions, from which the FOL had disaffiliated.

The watersiders won a notable victory for direct bargaining in late 1950, but in early 1951, in a public mood of what would now be called anti-communist hysteria, the National Government took them on.

An overtime ban over a disputed pass-on of a general wage order and disagreement about the method that should be used to resolve the dispute was turned by the employers, with Government backing, into a lockout.

Gradually gaining nerve, the Government took dictatorial emergency powers, including press censorship. Though initially a number of other unions backed the watersiders, the FOL, for reasons of its own, sided with the Government, an act said later by Keith Holyoake to have been crucial to the eventual Government victory.

Thus effectively isolated, the arrogantly obdurate watersiders and the few unions who persisted in support had no chance. Troops and scab labour worked the wharves and when the watersiders did start making concessions, every conciliatory move was met by raising the ante until complete surrender was obtained.


POLITICS

In the subsequent "people versus the wreckers" election, National increased its parliamentary majority.

The essential ingredients were: A united public opinion shaped by real, pervasive fears of communism and reinforced by a compliant press; deep divisions within the labour movement; a militant union with little public sympathy, isolated from the FOL and pig-headed enough to fight when challenged.

Are those ingredients present now?

The first is not. Most of those I have talked to who think the unions are wrecking the country think they are doing it out of greed rather than as part of an international conspiracy to sabotage our social and political structure.

Public opinion might be united by anger, but it is a less solid unifier than fear, especially if, as I suspect, the more diverse news media of today gave less unquestioning support than in 1951.

Is there a union that fits the bill?

The state electrical workers, had they gone on strike, would have been easily beaten once the disruption hurt the public and given the (in the public's eyes) trifling matter in dispute.

Threatening derecognition — thus turning the issue into one of union rights — promised a major fight with no guarantee of Government victory, until the Prime Minister pulled the PSIS card from its sleeve.

The railwaymen? It seems to have been rank and file frustration rather than centrally-led obstinacy that kept them going as long as they did. That sort of action would probably have caved in too quickly to provide the stuff of an election, even if the Government had succeeded in widening the dispute.

The drivers? Their leaders are too astute to be manoeuvred into a 1951 fight.

The boilermakers? They don't affect essential services. The freezing workers? They're on the sideline for the moment.

There is also unity in the labour movement — reaching even to tentative links between the PSA and the FOL. Each Government threat reinforces that essentially defensive unity. One moderate unionist told me last week he has never in 30 years seen the degree of rank and file commitment to his union there is now.

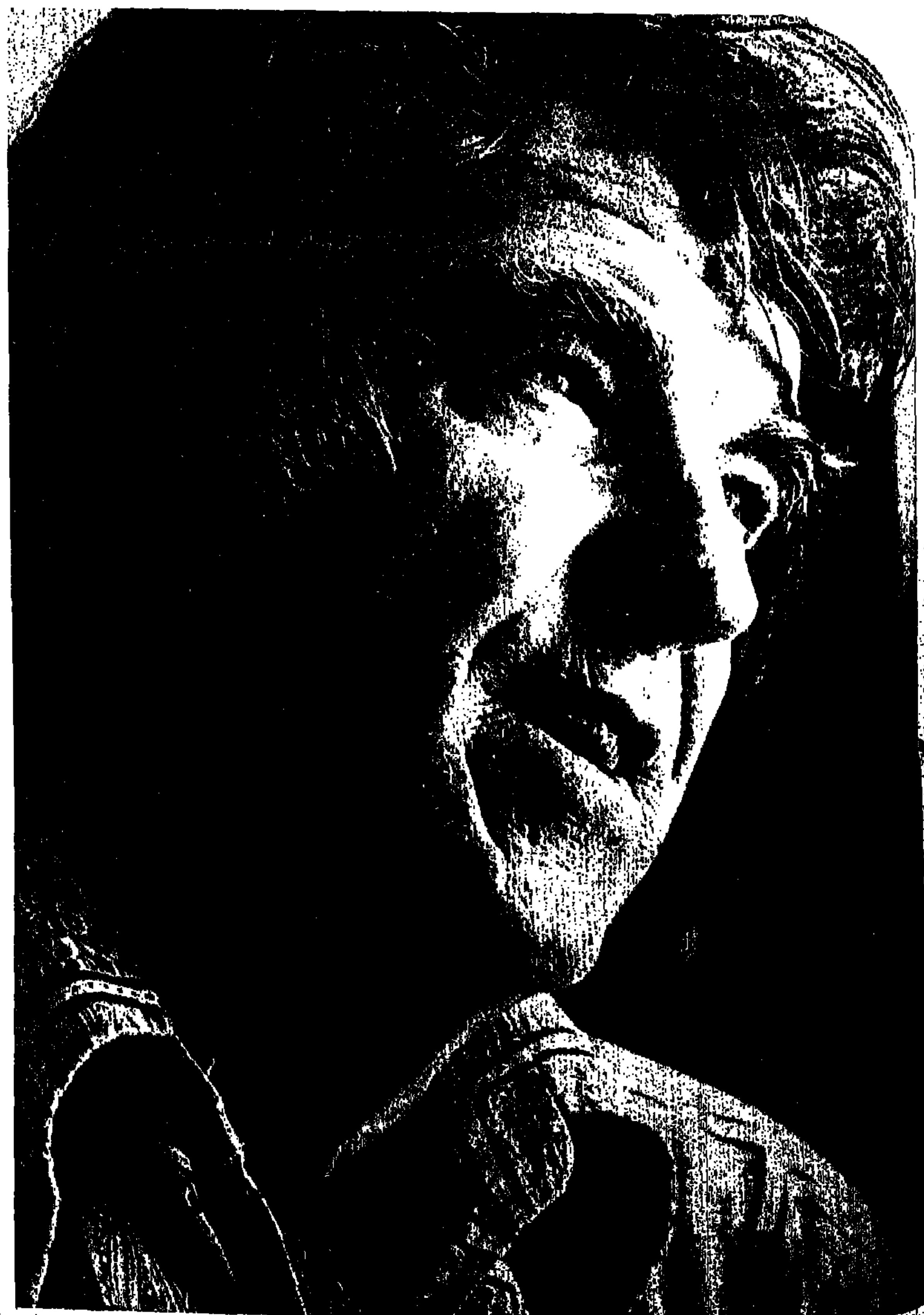
The current FOL leadership seems desperately conc[...] to avoid a confrontation [...] the Government and can [...] expected to lean on any [...] heading that way. But if [...] came to a choice, this FOL [...] more likely to back the [...] than the Government.

And, given the dependence of today's society [...] sophisticated technology, [...] opportunities for crippling disruption are much greater.

The Government presumably, would have [...] win, if only because the [...] leaders, not being revolutionaries, would [...] know what to do with political power if they won.

But a subsequent election might well resemble Heath's loss in Britain in the [...] election over the miners' strike more than Holland's triumphant crusade.

Perhaps we should take the Prime Minister at face value. That he wants the safer [...] involved in reintroducing [...] controls. He could lift the [...] 1981 and still have [...] chance of winning.



Airag prepares for take-off to Middle East

by John Draper

AIRAG International is ready to take off on a weekly freight run to the Middle East.

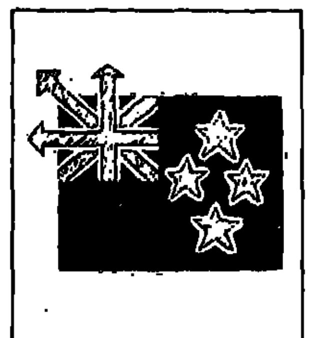
After a four-month delay, the Government has given the Christchurch-based airline a six-month permit to operate flights to 16 destinations, providing it does not compete with existing carriers.

An application for a full two-year international air service licence was rejected by Transport Minister Colin McLachlan, mainly because of the reciprocal landing rights for Middle Eastern airlines that might have to be negotiated.

The six-month permit will give Airag a chance to prove it can operate successfully without jeopardising future air rights.

Initially the airline will be leasing a DC8 and crew for a weekly service to the Yemen, Saudi Arabia and Bahrain carrying mainly chilled meat and fresh produce.

Spokesman Graham Vetch, a former general manager of


OVERSEAS TRADE

the ill-fated Nationwide Air, said the airline had strong support particularly from exporters who had been having problems getting goods into the Middle East.

Supporters had already pledged $1.5 million for the formation of a public unlisted company, Airag International New Zealand Ltd, which would have a nominal share capital of $5 million, he said.

Airag's permit is limited. It cannot compete on routes served by Air New Zealand nor for the cargoes it normally carries.

But the permit does not stop Air New Zealand chartering Airag as and when needed rather than Flying Tiger, the big American airfreight operator.

Vetch makes no secret that Airag intends to compete for most of the airfreight taken out of the country by overseas operators like TIA on an occasional charter basis.

Airag will be bidding for the kiwifruit exporters' charters to Japan next May as well as the horse trade after the Trentham bloodstock sales.

Kiwifruit exporters approached the airline earlier this year, but Vetch says it was unable to help because no aircraft were available for charter at that time.

The fledgling carrier is also looking to a seasonal fresh fruit and vegetable trade to the United Kingdom during October through to December.

Backloading will be the main problem as Vetch readily admits.


COLIN McLACHLAN . . . rejects long-term application.

"Back cargo is always difficult.

"There is a potential in taking seafreight as there are shipping problems in the Mediterranean and Gulf areas," he said.

Many of the return loads are likely to originate in Britain, France and Holland, but Airag will not be going to pick them up from those countries. It is negotiating with IAS and Trans Air Cargo to offer a Europe to New Zealand airfreight service transhipping cargoes somewhere in the Middle East.

Airag is also seeking permission from the Australian Government to operate split charters from the east coast, Sydney, Melbourne and Brisbane in a similar manner to those pioneered by IAS out of Perth.

Vetch says there has been a lot of interest from across the Tasman in Airag's potential operation. Initially the weekly service to the Middle East will touch down in Darwin but only for refuelling.

The airline is also negotiating with Indian tea and jute exporters to bring cargoes back to New Zealand.

But one potential outbound cargo has already been dropped. The airline was hoping to fly live sheep to Iran for local slaughter, but the Meatworkers' Union is refusing to lift its ban on their movement. Livestock for breeding may be carried. And Vetch says there is a market for sheep, cattle and deer in the Middle East.

Vetch denied persistent rumours that Airag was linked in any way to the recent visit of Nationwide Air's directors, Matt Thompson and John Rutherford and Meatworkers' Union secretary Blue Kennedy, to Iran.

"The first I knew of it was when I heard Blue Kennedy being questioned about it on the radio," he said.

Christchurch and Auckland will be the only two centres to benefit immediately from Airag's operations.

Ultimately, it intends to buy its own aircraft and use its own pilots. Wellington may also be added to the schedule.

Vetch says Ohakea would be a preferable centre to the capital because of its more direct access to the agricultural produce of the Wairarapa and Manawatu.

Two more applications for international licences are also being considered by the Government. Air Pegasus, the Auckland-based agent for TIA, wants to operate flights mainly to Australia in its own right. Its application is now before McLachlan.

Rural Aviation (1963) Ltd's application to operate DC6s mainly across the Tasman carrying racehorses and bloodstock, has yet to reach the Minister's desk.

Airfare news flow tires travel agents

by John Draper

TRAVEL agents are growing tired of being the last to know about the ups and downs of international airfares.

Too often, for their liking, they find out about new fares only by the deluge of eager customers wanting to book or by reading the daily newspapers.

But the Travel Agents Association of New Zealand has had enough.

Later this month it will meet airline and Ministry of Transport representatives to implement a code on the introduction of new rates.

Essentially the agents want a time lag between the time new fares are announced and the day they are implemented. The association will also be demanding more accurate and up to date information from the airlines.

Some carriers have been quick to produce easily read and understood brochures for agents and the public, though some have been too hasty and the fares quoted differ from those finally approved by Government. Others, and in particular Air New Zealand, distribute wads of close-typed difficult-to-read notes.

Air New Zealand for instance, has yet to distribute easily comprehended brochures detailing high and low season fares to the United States. And as the agents point out, they use the most easily understood information and tend to book with the airline that supplies it.

Further afield, a bewildering and writhing jungle of peak, off peak and special airfares are more than enough to baffle a computer let alone a would be traveller or his booking agent.

EDITORIAL

PARLIAMENT is increasingly regarded by the public as ineffective and irrelevant, and as its prestige dwindles, it shows growing signs of inefficiency in discharging the functions remaining to it.

A major weakness is in the way it works: it passes too many laws in ill-considered form and it fails to exercise a proper scrutiny over the work of the Government departments.

As the Government expands into broader fields of activity, as policy-making becomes increasingly sophisticated, and as a growing trend to long-range planning develops, Parliament's control of spending, of course, remains limited to approving one year's estimates of expenditure — usually halfway through the year, when the money has actually been spent.

Part of the problem lies in the powerlessness of the select committees. Unlike their equivalents in many Western parliaments, our standing committees lack the power to critically appraise government proposals and expenditure. They have no right to examine witnesses — even the Ministers and civil servants who draught bills. They have no right to call for evidence from outside bodies, or to employ expert staff to help them in their deliberations.

The most powerful of the select committees is the Public Expenditure Committee, which has an important job to do in acting as a watchdog on government spending and keeping informed Government and Opposition MPs. It has 45 state trading undertakings or Government departments to examine, but has limited time, limited resources, and — according to chairman Marilyn Waring in a speech to the Civil Service Institute last week — "the same crazy frustration in acquiring much-needed staff as you undoubtedly have."

The Public Expenditure Committee brings some scandals to light, such as Ministry of Works extravagances on the Kaimai Tunnel project. But Waring last week bluntly said the committee has not adequately carried out its order of reference and complained that essential information is denied to it.

Moreover the committee's 10 members can be outflanked and outmanoeuvred by "wily, experienced civil servants who still chuckle about how they 'got' such and such an MP when they asked for data and were buried under several inches of computer printout." (She didn't name the civil servant responsible for that outrage, but apparently he was in the audience).

Parliament's clerk of committees, Adrienne von Tunzelman, in a recently published study, recommended that the Public Expenditure Committee should widen its purview to cover revenue, long-term spending and policy matters. She drew attention to several weaknesses — the committee cannot debate policy matters; it is unable to scrutinise long-term spending proposals; it cannot examine the Government's revenue as well as its spending; it may inquire into whether departments have kept to their budgets, but cannot ascertain if that money is being spent effectively to achieve Government aims. Above all, it has a single research officer, plus help from the Audit Office, and clearly needs more staff.

As Waring points out, the members of her committee are ill-equipped to appreciate the complex issues involved in the administration of a large government department, and inevitably have considerable difficulty in knowing what questions to ask and how to evaluate the information they receive. That obviously means the committee cannot usefully function.

If Parliamentary committees need more powers and more help in scrutinising the spending of public money, then there should be no quibbling from the private sector. After all, the Government is taking 45c of every $1 earned by private enterprise to finance Government operations. It should be the concern of every businessman that this money is being as effectively spent as money spent in their own enterprises.

Bob Edlin.

FISHERMEN the world over have a reputation for telling tall stories. And our Government Tourist Bureau is no exception as it tries to net a few more American visitors.

"In New Zealand, a lot of things seem pretty hard to believe," it boasts in a full page advertisement in the American magazine, The Fly Fisherman.

And what follows is. True Americans, who are brought up to believe everything in the United States is bigger and better than anything anywhere else may be surprised that Rainbow trout in Lake Taupo are larger — "they go up to a whopping 19 pounds" — than those usually caught in the best trout streams of Montana.

But no matter how amazing that sounds, as the ad says, "you haven't really heard anything yet".

"Not till you meet a Lake Taupo fishing guide named Simon Dickie. He'll show you where the big ones hide out and tell you some stories like you never heard before.

"Like about the one time he and five of his friends went out after a new record and got it. There were 45 knot winds that day, but they went out at 5 a.m. anyway. And in one hour, they came back with 72 Rainbow, none of them smaller than four pounds, and most of them between six and seven."

We understand that Taupo boaties who have seen the ad are wide eyed with disbelief at the thought of six rods fishing in a 45 knot wind.

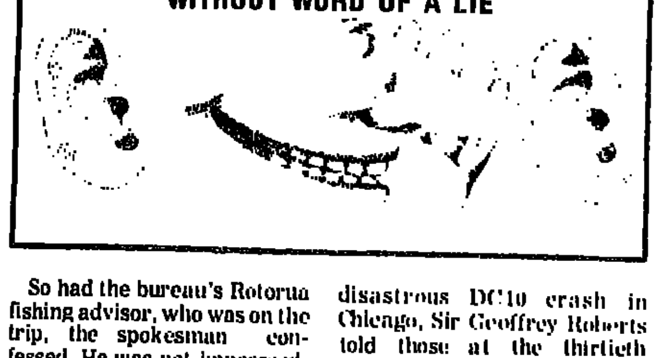
The catching rate is also startling — one fish every 50 seconds.

But the local ranger would have been very interested in the rest of the tale. And the local magistrate would almost have certainly created his own record ... in fines handed down to the six law breaking fishermen.

Fishing in Lake Taupo is illegal before 6 a.m. and the catch limit is set at 10 fish per rod.

A Government Tourist Bureau spokesman was a trifle embarrassed. "So you have found our faux pas," he said.

WITHOUT WORD OF A LIE



So had the bureau's Rotorua fishing advisor, who was on the trip, the spokesman confessed. He was not impressed.

A record had been set that day but the six fishermen had not broken the law to do it.

The offending ad, produced by the bureau's American agent, has been withdrawn and rewritten.

Responsibility is being accepted by the Wellington spokesman, but the man who wrote the offending words, well he's moved on, gone fishing probably.

●

ONE of our respected advertisers, South Pacific Television, ran an ad in our columns which showed the male and female audience for various time zones and the cost per thousand viewers.

On inspection it was obvious that if the figure given for males 20-54 years, zone one, were correct, then that for females was wrong and vice versa. So we drew their attention to this transgression and, in case we were jumping to wrong conclusions, asked for an explanation.

Back came the reply: "It was a mistake," they said.

How refreshing, these days, to be told the facts first time up. We know just how they feel. Reluctantly, we must confess to having made a mistake or two in our time. Or two?

PS. At the time of writing, the corrected ad is winging its way to us..

●

ECONOMIC pressure was the primary cause of the disastrous DC10 crash in Chicago, Sir Geoffrey Roberts told those at the thirtieth anniversary dinner of the Society of Licensed Aircraft Engineers and Technologists in Auckland.

Even if there was a design fault in the aircraft as some claimed, he said, proper maintenance and proper inspection of that maintenance would have found it and prevented the sort of factors which led to the accident.

An earlier DC10 crash which killed 346 people near Paris occurred because the manufacturers' suggested modification to the aircraft was ignored by its Turkish owners.

Deregulation of the American airline industry and the drive for ever cheaper fares was putting tremendous economic pressure on airline maintenance engineers. "But your licences should be sacrosanct and must be issued by a Government authority, not by the airline operating the aircraft you service," he said.

Sir Geoffrey was the first president of and is now patron of the International Federation of Airworthiness, which was established largely as a result of New Zealand engineers' inititives.

The IFA is a world body of licensed aircraft maintenance engineers dedicated to preserving the highest possible aircraft maintenance standards.

He was referring to the fact that a licensed engineer has to pronounce an aircraft as airworthy before it is allowed to take off with paying passengers.

Sir Geoffrey told the gathering how, earlier th[illegible] month, he had taken a pa[illegible] Seagrams' directors [illegible] Blenheim in a charte[illegible] aircraft. The Ameri[illegible] directors had been visiti[illegible] vineyard in which th[illegible] company has a substa[illegible] financial interest.

When the directors cam[illegible] board the aircraft for th[illegible] return flight to Auckland, [illegible] ground engineer refused [illegible] give it a maintenance rele[illegible] because of a minor fault in [illegible] of its wheels.

"Though the holdup [illegible] embarrassing," said [illegible] Geoffrey, "as patron of [illegible] International Federation [illegible] Airworthiness, I was proud [illegible] that engineer. He wouldn't [illegible] the aircraft go till he had fo[illegible] a replacement wheel flown from Auckland."

He said: "The fact that [illegible] replacement tyre later w[illegible] flat on the Auckland runwa[illegible] beside the point."

●

NEW Zealand has p[illegible] possibilities for energy [illegible] ming, according to En[illegible] Minister, Bill Birch, wh[illegible] must move quickly and [illegible] steps to see all the res[illegible] going on has practical m[illegible]

How quick is quickly? [illegible] countries reacted to th[illegible] crisis years ago.

Forestry and agricu[illegible] waste already provide [illegible] cent of Sweden's en[illegible] requirements and 14 per [illegible] of Finland's according t[illegible] New Scientist.

The EEC is backing pe[illegible] projects for planting s[illegible] rotation energy forest[illegible] what may be termed marg[illegible] land in Ireland.

Other nations like Fra[illegible] and West Germany h[illegible] initiated biomass program[illegible] in India, Mexico, P[illegible] Thailand and South Afri[illegible] and the list goes on.

Now why can't we an[illegible] for the list to go on and in[illegible] New Zealand? This wa[illegible] could see a biom[illegible] programme in opera[illegible] without waiting for politic[illegible] to make a decision.

●

BROCKIE'S VIEW

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SLOTTED into the Wimbledon satellite coverage came this commercial for Seiko watches, featuring, with a nice sense of timing, Frank Sedgman instructing youngsters in the art of tennis.

As Sedgeman displays a digital watch on his wrist, the voice over tells you that Seiko introduced the quartz watch to the world.

Then comes Sedgman's one and only line ... wait for it ... "Seiko — masters of the quartz." How do you say that in Japanese?

●

THE pre-Budget speculators were foiled by Prime Minister Rob Muldoon when he excluded the wine industry from the embrace of the new sales tax on alcoholic beverages.

It seems wine escaped thanks to some hectic last-minute negotiations between the wine industry and government.

But the Budget announced an industry study by the Industries Development Commission, which is due to report by June 30 next year. And it is said by some observers that a tax will be imposed after that.

One possibility: there will be a sales tax on wines, but an even bigger levy on imported wines to give the local product a price advantage. That approach should appeal to a wine industry which has pressed for import controls, particularly on Australian wines. Despite the extra burden of trans-Tasman shipping costs, the Aussies are selling more cheaply here than some local wines.

But before the wine industry gets too excited about the Government lending a hand to prop up its appeal in the marketplace, it might ponder its prospects on the export front when it can't compete in its own home territory with imports.

As for the consumer. Well, it seems—as almost always—he doesn't come into the reckoning.

●

THERE'S a bit of unease among staffers on the Evening Star in Dunedin, we hear.

The staff has been a bit jumpy for some time, of course, thanks to persistent rumours of the newspaper's forthcoming demise.

The recent decision to convert the paper to a tabloid in a bid to resurrect its fortunes in the marketplace should have inspired confidence that the publishers do not intend closing it. But then Bruce Judge came into the picture, masterminding the H W Smith Ltd buying of shares in Allied Press (the paper's publishing company).

Judge has secured something like a 15 per cent shareholding in the company.

The morning newspaper, the Otago Daily Times, is by far the company's most profitable publication, so there are some fears that the Evening Star may become the victim of a Brierley-style rationalisation if H W Smith takes control of the company.

Of course, there is no immediate prospect of H W Smith Ltd gaining control. But there's a good chance that Judge will make it on to the Allied Press board.

●

A BUSINESS acquaintance of ours pays two different phone bills with the one cheque.

But the other day, about three weeks after making his latest payment, one of his phones was cut off. He called the Post Office to explain, but his phone was not reconnected.

So he tried again. That led to something of an inquisition, as he was asked such questions as when did he send the cheque, at which post office was it posted, to what address was it posted, and so on.

After much interrogation, the Post Office fellow accepted that the bill had been paid, but confessed he was unable to guarantee that the phone would be reconnected.

That was another section's business, he said . . .

But his most illuminating remark was that the accounts are in a mess . . . "the system has gone out the window".

Apparently, the Post Office is trying to handle hundreds of thousands of accounts manually.

Maybe some of those hefty Post Office surpluses could be ploughed into modernising the system so that a customer can pay two accounts with one cheque, and not run the risk of then being given the bureaucratic runaround.

●

NO DOUBT it's an economic indicator of some sort, but we're not sure exactly what the message is.

The fact is, a sex shop in Wellington's Vivian Street is no longer there. The premises are now occupied by a finance house.

●

SHELL Oil USA wants to sell its share of the Maui gas field, industry sources said.

But so far, the American subsidiary of the Anglo Dutch giant has had little success according to industry sources.

Shell Oil US holds all but 500 of the 10.1 million $1 shares in Taranaki Offshore Petroleum Co Ltd, Topco, a partner in the original consortium which discovered Maui.

Topco sold its share in the field to Offshore Mining Ltd, another state owned company, for $3.75 million in 1973.

But it later bought back into the Maui development by buying half Todd Petroleum Mining Co Ltd's 12.5 per cent share.

Earlier this year, with little immediate use for Maui gas in prospect, the American company attempted to sell its interest without success.

So who will buy Petrocorp, the state-owned exploration company, if the Government is tempted to bow to the free enterprise lobby?

Petrocorp is still hoping to silence its critics with at least a Kapuni-sized gas find at Toko One in Taranaki. This week should reveal its success or failure.

●

THE Royal New Zealand Aero Club has broken with tradition.

For as long as anyone can remember it has been holding its annual meeting on the Tuesday and Wednesday in the first week in July. Next year, though, it has plans to hold its annual meeting on the first Friday and Saturday in July.

The change has been made to enable a social function to be held during the gathering. It will mark the 50th anniversary of the RNZAC's foundation.

There was an immediate objection to the change. It was raised by a member who pointed out that Saturday is normally the busiest day of the aero club week. Aero clubs could not spare their instructors to attend the meeting on that day.

"That's why we've given you a year's warning of our intention," said a member of the RNZAC executive. "It should give clubs time to find a temporary replacement instructor for the anniversary. Surely club instructors may be allowed one weekend off in 50 years?"

●

THE Master Builders' Federation was delighted with the performance of Housing Minister Derek Quigley at its annual conference. He spoke off-the-cuff for 15 minutes, and delivered an hour-long address in which he demonstrated an impressive command of facts and figures germane to the industry, according to federation sources who recognise he has been in the job for less than a year.

In his vote of thanks, federation president Les Street said it was refreshing for a change to get answers from a Cabinet Minister.

Quigley's mana in the building industry adds to the reputation he has built up generally, and further consolidates claims made for him by observers that he is a possible future leader of the party.

Then again, merely publishing such plaudits may prove to be the kiss of death for any aspirations Quigley might have to bigger things in politics.

●

OBVIOUSLY a sign of the economic times was the outcome of a heavy promotional campaign by Fletchers Developments to sell its newly developed property at Waikanae.

The promotion was intensive, ambitious and very professional. And the results? Disappointing, it seems.

Despite the highly attractive purchase rates and financial incentives, there was no great rush from potential buyers.

One explanation is the depressed state of the economy. Another is the thought that the energy crisis is prompting second thoughts about living too far out of the city.

Meanwhile Fletchers will hope it hasn't been lumbered with another Grenada Village.

Parliament begins to descend slippery slope

PRESSURE continues to mount from a wide range of people for the Government to drop its proposal to alter income tax rates while Parliament is not sitting.

The august voice of Sir Alexander Turner, former president of the Court of Appeal, said he hoped members on both sides of the House would resist it.

Some on the Government backbench have, led by the lawyers among them. It may be enough to kill the proposal.

The Prime Minister put the economic case for the power to the Government MPs in their weekly caucus meeting two weeks ago. They will discuss it again this Thursday.

National Business Review here reprints extracts of a speech given two weeks ago by Victoria University law professor Geoffrey Palmer on the issue.

NBR invited Deputy Minister of Finance and Minister in charge of the Inland Revenue Department Hugh Templeton to put the Government's case for the power.

Templeton declined, saying that he preferred to wait until after the caucus meeting this week. NBR will reissue its invitation.

by Geoff Palmer

THE 1979 Budget promises further legislation which may be, depending on its terms which have not yet been disclosed, contrary to the Bill of Rights. Even if it is within the liberal terms of that document it is certainly contrary to its spirit . . .

Compare the proposal to empower the Government to reduce income tax rates when the House is not in session) with the provision of the Bill of Rights: "Levying money for or to the use of the crown by the pretence of prerogative without grant of parliament for long time, or other manner than the same is or shall be granted is illegal". I suggest that the words in heavy type indicate that a strong legal argument can be made that the lowering of any rates of taxation by regulation would be contrary to the Bill of Rights.

From a legal point of view there is no distinction between the power to levy a tax and the power to reduce it. This is because any new rate imposed by regulation, even though lower than the old one, would not be one granted by Parliament.

It has been decided that the Bill of Rights is part of New Zealand law. It seems obvious that a New Zealand court will guard the provisions of the Bill of Rights zealously and will not allow its provisions to be overridden except with the clearest expression of parliamentary intention.

That means that any legislation granting the executive power to make regulations reducing tax rates may need to expressly repeal the provision in the Bill of Rights to be legally effective.

If the Government has it in mind to repeal a provision in the Bill of Rights, either expressly or by implication, then it behoves us all to give the matter the gravest possible consideration.

Other observations need to be made about the statement in the Budget.

First of all it is a relatively simple matter to call Parliament together. Why such a step is not practicable is not articulated. No reasons are given.

Secondly, the traditional times for the sitting of Parliament are archaic and should be changed. If Parliament met three days a week, three weeks a month, 10 months a year it could act as a constant monitor on the actions of Government and it could pass all necessary legislation.

Parliament cannot act as a check on the executive branch of Government when it is not in session. It is therefore in the interests of the Government, but not Parliament, that Parliament should sit as infrequently as possible.

The next observation that needs to be made concerns the claim made for flexibility. New Zealand Governments are at present endowed with a range of powers with which an economic dictator would regard himself as well served.

It is possible, in effect, to nationalise the banks and the insurance companies by controlling all of their funds, and to control the price of every commodity and set the levels of wages in New Zealand without resort to Parliament. It can be done by regulation—regulations which are not passed by Parliament or properly scrutinised there.

It is done by the executive council which consists of Ministers and the Governor General. Three is a quorum. Regulation making power forms an important source of power for modern governments. It is a power which has been much abused in New Zealand.

I feel bound to observe that the massive and flexible powers which have been entrusted to Government under the Reserve Bank Act the Economic Stabilisation Act and other statutes have not led to economic management of any quality. I would have thought that on that ground alone the provision of further powers should be resisted.

There is another reason why taxation matters should not be handled by regulation. Regulations are supposed to be reserved for administrative detail, not fundamental principle. Tax rates hardly qualify under that heading. At a time when the community is complaining about over regulation it is surprising to find further important questions being resolved in this way.

But the most important reason why the proposed legislation should be resisted is because it further erodes the position of Parliament. Parliament has become, under the nomination of the two party adversary system of politics that we have, a rubber stamp. It is not sufficiently independent of the Executive branch of Government. Rather it is dominated by it, since Cabinet ministers are also members of Parliament.

If the Executive is given power to reduce taxation by regulation it is not a distant step to giving the Executive power to increase taxation by regulation.

So seriously is Parliament's power over taxation taken under our constitutional arrangements, that the rates of income tax are set every year in the Income Tax (Annual) Act. Even where there is no change in the rates that act must be passed . . .

We are beginning to descend a slippery slope, which if we go to the bottom, will remove the need for Parliament at all. At the moment, the Public Finance Act 1977 provides that "no expenditure of public money shall be made except pursuant to an appropriation by Act of Parliament". Government cannot be carried on without supply. And supply cannot be secured without Parliament.

Parliament is suffering from a crisis in public confidence—confidence in its ability to function as the central democratic institution in our society. Its capacity to do that will not be increased by taking more of its powers away and transferring them to the Executive branch of Government.

The key to reforming Government in New Zealand lies in the reform of Parliament. We must do more to counter the unbridled power of the Executive by giving Parliament more ability to check and balance the executive.

The Bill of Rights established conclusively Parliament's power to levy taxes. The removal of those taxes should as a constitutional matter be treated exactly the same way as their imposition. The case for doing otherwise is weak and insubstantial.

Gold price rises revive mining exploration interest

by Belinda Gillespie

NEW Zealand may be in for another mining boom.

The price of gold has increased, and molybdenum and silver are fetching good prices.

The investment climate has never been better in terms of New Zealand readiness to accept foreign investment.

Australia is experiencing a prospecting boom, and the overflow is now reaching New Zealand.

Ray Byrne, executive officer of the Energy Ministry mines division, confirmed that several mineral exploration licences had been applied for since April, and that NBR's figure of 10 was "not far off the mark"

Over the last six to nine months, said Byrne, there had been a gradual quickening of interest in mineral exploration.

This was directly linked to the price of gold, which has increased on the world market from around $200 an ounce this time last year to $283 now.

Several overseas-controlled companies are continuing their exploration programmes, and the American giant, Amax, is seeking approval to carry out operations.

Amax is involved with the Waihi Mining Development Company, which operates the former Martha mine at Waihi in the Bay of Plenty.

Amax is understood to have met with the Overseas Investment Commission to negotiate a deal which gave the company an 80 per cent interest, and New Zealand companies the remaining 20 per cent, in the $100 million mine.

The Martha mine, one of New Zealand's largest, has not been worked since the early 1950s.

Since then, there has been a limited amount of open cutting by the Waihi Mining Development Company, which has recently been joined by a subsidiary of Green and McCahill Ltd, the Auckland contracting firm.

Some ore remains in unworked material in the mine, and lower grade ore, previously unrecoverable, is present in the back-fill.

Amax will make decisions on its commitment to the venture on the basis of tests of the ore as work proceeds.

In the light of present gold prices, ore deposits throughout New Zealand are worth reconsidering.

These exist in the traditional gold-mining areas — Coromandel, the West Coast, North-west Nelson and Otago.

Numerous mining licences are held by individuals who work areas of the South Island rivers with hand-held suction dredges, generally for low returns.

The main problem with low-grade ore is the high ratio of barren material to be disposed of per ounce of gold. As well as making the cost-benefits of a gold-mining operation questionable, environmental considerations have to be taken into account.

Apart from gold, there is general renewed interest in exploration for both base and precious metals.

Several large companies are prospecting in New Zealand specifically for copper, zinc and molybdenum which, like gold, have steadily increased in value.

Free market drive threatens to Liquidate honey authority

by Warren Berryman

NEXT week may mark the death knell for New Zealand's smallest producer board and signal victory for a free market system.

New Zealand's beekeepers will meet in Christchurch next week to decide the future of the New Zealand Honey Marketing Authority. One option they will consider, is whether the HMA should be liquidated entirely and the local and export sales of honey be left to free enterprise.

Beekeepers have been told that the HMA is not a viable proposition in its present form.

Small scale honey producers depend on the HMA to buy their honey and fear the growing power of the large honey producer packers.

Large scale honey producers and packers have little use for the HMA. They sell on the domestic and export market in their own right.

They do not want to subsidise the HMA with any form of levy on their production nor do they want the authority's restrictions imposed on their own operations.

Until recently, the HMA had powers similar to those wielded by the Apple and Pear Board. The HMA bought in all honey offered, stabilised prices, and had a monopoly of all exports of liquid honey.

The strongest support for the HMA's monopolistic powers came from its traditional suppliers, the small beekeepers. They relied on the HMA for packing, marketing and export.

Larger producers had their eye on exports. But the HMA stood in the way with a legislated monopoly.

Last year the balance of power on the HMA's five-man board shifted in favour of the free market large producers.

This country's biggest honey producer and enthusiastic free marketeer, Percy Berry, became HMA chairman. He was once prosecuted by the HMA for infringing its export monopoly.

Backing Berry on the HMA board, were two large producers and packers. This left only one representative of the HMA's traditional suppliers, Ivan Dickinson, in opposition. The fifth man on the board was the Government representative Don Hayman.

Under Berry's command, the HMA relinquished its monopoly on exports, allowing private producer packers to export their own honey. And, as private export orders began to roll in, the financial base upon which the HMA was built, began to crumble. (NBR April 18, 1979).

Two weeks ago, honey producers received a copy of a discussion paper by HMA Government appointed board member, Don Hayman.

The message was clear. Without, either its monopoly on honey exports, an industry-wide funding system, or both, the HMA could no longer afford to buy all the honey offered to it. Nor could it carry out its price stabilisation function.

The abolition of the seals levy did away with the HMA's industry funding.

The increasing move toward private exporting undermined the export monopoly.

To carry on its traditional functions, the HMA required working capital of about $1.5 million, Hayman wrote.

"The Minister of Finance has indicated that he is prepared to match the authority's own capital by a similar amount of Reserve Bank overdraft, but that any long-term assistance at a greater level than this will not be forthcoming.

"The authority's equity, at last balance date, was under $600,000 and it is only because our equity was previously higher that we have continued to enjoy an overdraft limit of $700,000.

"Temporary extensions above this limit have been granted in the past, but the Minister of Finance has made it clear that no further extensions will be given for the purpose of enabling the authority to carry out its industry-wide functions unless the authority's equity is increased, and he has suggested that this is the responsibility of the whole industry," Hayman wrote.

To continue in its traditional role, the HMA would have to find at least $100,000 a year. To raise this amount from its 2000 tonne throughput, would require a contribution of five cents a kilogram from the producer.

This in effect would mean that producers, supplying the HMA, would receive five cents a kilogram less than those supplying private packers or exporting themselves.

"Suppliers to the authority cannot continue funding the authority for it to be able to carry on performing its traditional functions," Hayman wrote.

The nub of the problem was, whether the industry as a whole, should pay a levy to the HMA.

This sort of enforced centralism would suit the small producers, but not the large free market producers who want nothing to do with the authority.

Authority general manager Curtis Wicht wrote a covering letter to accompany Hayman's discussion paper. Wicht suggested that the future of the HMA be decided by referendum after being discussed at the beekeeper's conference.

Even the referendum solution might pose some problems.

Voting on HMA matters is usually done on a system whereby one man has one vote for every 25 hives he owns up to a maximum of 100 votes. This system gives Berry and his free market faction the advantage.

But the small honey producers are likely to [...] for a one man one vote [...] and for a levy on all [...] production to be paid to [...] HMA.

After receiving Hayman's paper and Wicht's covering letter, honey producers began talking about a Berry-led [...] to abolish the HMA.

So Berry sent out a further newsletter explaining that [it] was Hayman and not him[self] who had produced [the] discussion paper.

Hayman's paper laid out [...] options for the HMA:

● The HMA carry on as at present, buying all honey offered, operating [a] guaranteed base p[rice] scheme, and the stabilisation reserve fund. To do this w[ould] require an industry produc[tion] or sales levy of two cents a kilogram. Or an increased hive levy from 17.5 cents to [...] cents.

● The HMA continues as at present financed by [its] monopoly on honey ex[ports].

● District producer organisations could b[e set] up by those beekeepers wishing to partic[ipate]. This could be accomplished by having [the] district co-ops buy [the] HMA's existing operations with financial help from [the] HMA.

These co-ops would co[ntinue] with the HMA's trading activities, but have no responsibility to the industry as a whole, and no guaranteed price or stabilisation scheme.

The export control func[tion] would remain with the HMA, which would be renamed [the] Honey Export Control Authority or something similar.

● District producer organisations or a national producer organisation, would be established as in the third option, with a Honey Export Control Authority but without an industry stabilisation scheme.

● District co-ops or a national producer organisation could be established with no controls on export and no stabilisation scheme. The HMA would be dissolved and its assets held in a fund administered by the Public Trustee who would act on the advice of the National Beekeepers Association from time to time.

● The HMA sells its existing operation as is where is on the open market with its funds administered by the Public Trustee.

The Hayman paper made the point that "it is not reasonable or fair for regular suppliers, if they form less than half of the total number of commercial beekeepers, to enforce on the rest of the industry, either a levy or export controls, when the rest of the industry do not want these and are prepared to do without the authority's industry-wide stabilisation functions".

"If producer organisations do take over from the authority the present guaranteed price and stabilisation scheme will have to be discontinued, as it would clearly be unfair to require one sector only of the industry to have its income stabilised.

The Government considers that in this event an industry wide stabilisation scheme should be established, in line with its policy in respect of other primary industries.

"This however, is a matter for the industry itself to determine and the Government would be hesitant to impose a stabilisation scheme on the whole industry against the majority's wishes, unless market realisations were threatening to soar to unprecedented levels as was the case in 1972-73," Hayman wrote.

If the HMA is abolished, it now appears likely that South Island producers would be willing to set up a co-op with something like a 1500 tonne a year throughput. A smaller Auckland co-op, with a 500 tonne throughput, might also be established by small honey producers in the North.

If this happens, Government would bow out of this small primary producing sector allowing free market forces to rule.

BCNZ network advertising switch swings channel revenues' balance

by Warren Berryman

THE BCNZ's decision to make TV One advertising time available only to network advertisers, leaving the whole regional scene to SPTV, is having a dramatic effect on channel revenue.

Regional advertisers, barred from TV1 by the BCNZ decision, shifted their ads to SPTV. As a result, SPTV's time is just about booked out from now to Christmas and some advertisers are being turned back for lack of available time spots.

Business is booming for SPTV.

Sales and marketing director Maurice Urlich said gross revenue for this month was up $790,000 on July last year.

An educated guess would put SPTV's revenue about 70 per cent up on last year's levels.

But, while business is so good for SPTV, it is turning some away.

TV1, in the meantime, is offering advertising space at half price to try and fill the holes left by the departing regional advertisers.

The half price deal was offered to advertising agencies last week and will be open until Saturday.

TV1's half price offer raised more than a few eyebrows in the advertising world.

TV1 has always adopted a rather by-the-book-Government-servant style when disposing of its advertising time. In contrast, SPTV has been known for its flexible and aggressive marketing approach.

TV1's controller of sales and marketing, Richard L'Estrange explained this change in style: "We had some holes to fill in July. I thought it would be an interesting experiment to see if there wasn't any spare money out there in the advertising budgets."

L'Estrange said the half price deal filled some holes, particularly in Tuesdays, Wednesdays and Thursdays — not Fridays and Saturdays. But the half price experiment proved there was not a bottomless barrel he said.

Some ad slots would remain unsold even with the half price offer.

Despite substantial advertising rate increases, TV1's ad revenue is running at a level only about equal to last July's.

Other factors, apart from the additional regional ads gained from TV1 contribute to SPTV's success.

Starting this month, SPTV increases its regional ad time from 96 minutes a week to 132 — a 37 per cent increase.

And SPTV added a sixth region, Palmerston North, giving the channel a whole new regional breakout to sell advertisers.

Thirdly, SPTV's programming has been pulling better ratings in recent weeks.

Looked at from SPTV's viewpoint, the BCNZ decision to split the two channels' into regional and network, was a profitable idea.

But looked at from the viewpoint of the whole corporation, both channels included, it raises some questions.

Namely, would those regional advertisers, who have been turned back by a fully booked SPTV, gone to TV1 had they been able?

If the answer is yes, and this is likely, then TV1 is offering ads at half price which it might have received full price for had it gone to regional advertisers.

Regional ads always pose a problem.

While a network ad is shown throughout the country in one time slot, a regional ad shown in one region only must be balanced with other ads showing at the same time in other regons.

But this should pose no problem to TV1 as its regional support was strong — at least until the decision to drop all regional ads.

Why Concept Video's founder was absent . . .

by Mary Varnham

ONE man was conspicuously absent from the ceremonies when Concept Video NZ Ltd officially opened its vamped up and fully equipped premises in the Wellington suburb of Miramar the other day.

He was Donn Lock, who founded the original company, under the name Concept Video Ltd, in 1974, and worked for the next four years to make it a major contender in the big money TV-video stakes.

In November 1978, keen to expand and needing backing to do so, he took Independent Newspapers Ltd on board as an equity partner.

The future was bright. After months of effort, including several trips to Australia to get support from top ad agencies there, Lock had secured a licence to import more than $900,000 worth of the latest video equipment.

Staff were hired, the premises were expanded, equipment started to arrive.

On July 2, eight months after he had signed the Heads of Agreement with INL, and just one week before the Miramar premises were launched in a fanfare of publicity, Lock was fired.

The firing came as a shock to many.

Lock is known as one of the most promising faces in the communications field, with a reputation for entrepreneurial flair and the ability to look ahead while others are still marking time.

But for others close to the action, the writing had been on the wall for some time.

"It all boiled down to personal style," said one.

"INL, like most of the big publishing outfits, are a pretty conservative, shirt-and-tie lot. Lock's outlook, his flamboyance, even his style of dress (jeans and open-neck shirts) didn't go down too well. A parting of the ways was inevitable."

Lock, with a background in electronics and media, founded Concept Video with a term loan of $5000.

The company rented video equipment and produced programmes for closed circuit TV.

Business flourished. There were virtually no competitors and in four years assets were more than $100,000.

By 1978 the company was turning over about $12,000 a month.

Two things encouraged Lock to expand the operation into a full broadcast production facility.

● Wellington, with a number of big ad agencies needed more facilities for the production of television commercials. One agency alone estimated that it spent an extra $27,000 a year going to Auckland to make commercials. Others took the work to Sydney or Melbourne. The sort of money going out of New Zealand for this purpose was $1.5 million annually.

● The rapid growth of the home video market overseas. Home video is a system by which programmes are stored on cassettes and can be played at will on specially designed TV sets. Yet to take off in New Zealand (mainly because the cost of importing the machines is prohibitive here), home video is surging in popularity in the United States, Britain, Japan, Australia and elsewhere. Experts put the potential worldwide market for New Zealand-produced home video programmes at between $8 million and $10 million a year.

Midway through 1978 Lock began looking for an equity partner with clout.

INL, suggested to him by a contact in Broadlands, seemed ideal. Publisher of several leading newspapers, it was already in the communications field and was keen to extend its interests into video production.

Discussions were held in July and the INL directors indicated that, provided Lock was able to secure an import licence for the necessary equipment, the deal was on.

Lock's first application to

DONN LOCK . . . showdown seemed inevitable.

the Department of Trade and Industry was turned down in late August.

Soon after, he submitted a second which went in depth into the export-earning potential of home video programmes and the overseas reserves-saving potential of locally produced TV commercials.

The application contained letters of support from every ad agency in New Zealand.

Later Lock flew to Australia and came back with letters of support from 10 agencies in Sydney alone.

Ogilvy and Mather (Australia) committed itself to using Concept Video for at least six commercials in its first year of operation.

These letters were forwarded to Trade and Industry and in November the import licence, for more than $900,000 of video equipment, was granted.

Just days afterward, a Heads of Agreement was signed by Lock and INL.

By this time, two other people were involved in Concept Video. They were Mike Mune, who had been head of commercial production at TV1, and Ray Shaw, who had recently retired as the channel's controller of sales and marketing.

On December 1, under the terms of the agreement, the name of the company was changed to Concept Video NZ Ltd.

Its original share capital was $150,000, with $50,000 more to be issued in April 1979.

There were seven directors — Alan Burnet, Jim Crook, Jack Dent and Jim Carney from INL, plus Lock, Mune and Shaw.

Shaw was appointed chairman. Mune became general manager and chief executive producer. Lock was named managing director.

Relations appear to have been very amicable. Preparations began in earnest for the launching of the new, expanded facility.

Early in 1979, Lock persuaded the tenants in the other half of the Miramar building to move and Concept Video took over the lease on the whole building.

While reconstruction was taking place, the company operated out of temporary premises in downtown Wellington. Conditions were difficult and the revenue coming in was still the same as that of the old company. But for Lock and the old Concept Video team, the dream was becoming reality.

By this time Lock had a lot invested in the project. For nine months, from March to November 1978, he had had no salary and had run up a large personal overdraft putting the project together. The strain on his private life had been great.

During this period his wife and young child left him. Technically, he was close to bankruptcy.

In the early months of 1979 the cracks began to show. It became evident to insiders that Lock and the INL nominees had different ways of going about things.

When, for example, there was talk of private enterprise taking over some or all of

CONCEPT VIDEO . . . business flourished.

TV2's viewing time, Lock told the press that Concept Video was interested.

The INL team thought his comments had been precipitous.

There are said to have been personality clashes, particularly between Burnet and Lock.

Under the agreement with INL, Lock, together with Mune, was to have had the opportunity to buy into the April share issue. His entitlement would have given him a 16.6 per cent shareholding in the company.

April came and went. The shares were not offered to him.

It seemed to some only a matter of time before there would be a showdown.

In June, just after Queen's Birthday weekend, the board put a proposal to Lock. Citing misdemeanours, including "failure to perform", and the fact that he was close to personal bankruptcy, it offered to pay his bills if he would quietly resign.

He was not to talk to the press or anyone in the business.

"It was," said a colleague, "a clear-cut case of take the money and run."

Lock said no. He was immediately placed on suspension on full pay.

Three weeks later, three hours before a legal hearing on his alleged "failure to perform" was due to take place, Lock's barrister received a letter. It contained a year's salary for Lock, notice of his removal as a director and notice that his employment had been terminated.

The vote by the board of directors of Concept Video NZ Ltd against Lock apparently had been unanimous.

Board member Burnet referred our inquiries to Shaw as chairman.

At the time of going to press, Shaw was at Concept Video's Auckland promotion and could not be reached for comment.

Further legal action is known to be pending and both parties are, for the time being, reluctant to discuss the matter.

Interestingly, INL's annual report for the year ended March 1979 described performance as "mixed and somewhat disappointing" and the company may be looking to Concept Video to bolster up its showing in the future.

With Lock gone, the communications industry will be watching with more than usual interest to see whether it does.

NBR BUSINESS WEEK

Economists give extra shine to crystal ball

by Peter V O'Brien

"READERS will agree that economic forecasting is a chancy business", the Institute of Economic Research always warns in the preface to its Quarterly Predictions.

The June edition reinforces the warning. The Institute's prognostications were prepared and printed before the Budget. That is unfortunate, because a calculation of the Budget's impact on the economy would add to the publication's validity.

But the crystal ball was well polished this quarter. Referring to the budgetary deficit, the institute says:

"A Budget Table 2 deficit of $1446 million has already been announced for 1978-79 with the publication of the Public Accounts for the March quarter, 1979. Given our above argument (regarding Government expenditure and the effect of fiscal drag-higher proportionate tax receipts as incomes rise in dollar terms—on Government income), we estimate the Budget Table 2 deficit will reduce slightly to a little over $1300 million this year.

Of course, the Government's estimate of the deficit before borrowing published in the Budget is likely to be lower. This Government has followed the practice of publishing one estimate in the Budget and then changing this estimate later in the year, mostly after the supplementary appropriations have been voted in September. The actual deficit has always turned out to be at least $300 million out either way."

The Budget deficit is $1090 million, after allowance of $400 million for supplementary estimates, the latter an increase of $150 million over the preliminary amount for 1978-79. The Institute's forecast of a $1300 deficit outturn therefore allows for an increase of $210 million, compared with the $300 million mentioned in the quotation. On the income side the Government has three advantages this year.

First is the taxation on public service back pay which was paid out in October, 1978. This has to be accounted for in the current financial year. Second is the effect on company provisional tax of the removal of the stock adjustment allowance.

In 1978-79 companies paid tax on the basis of their 1977-78 assessments, a year when they had the benefit of the stock allowance. In 1979-80 they pay on the basis of actual income in 1978-79, so company tax will be up (subject to actual profitability from trading) on the previous year's figure. Third, the new system of taxing secondary employment, which includes back pay, at 35 per cent, will take care of any lump sum retrospective payments made to the public service this financial year.

In these circumstances, the institute's forecast of a regular $300 million margin of error may be too high, but a figure in the region of $150 million to $200 million seems realistic. That would put the deficit at between $1240 million and $1290 million, compared with the Institute's pre-Budget forecast of $1300 million, a reasonable margin of error when the forecast was made in the absence of the Budget.

The institute's forecast for growth rate in gross domestic product this year suggests, if reasonably accurate, a continuing dull period for the economy. "Growth in 1979-80 is forecast to slacken to 1.5 per cent. This slowdown is unlikely to be very noticeable in the immediate future, at least in consumer and farming related sectors, as demand in these areas still seems reasonably buoyant. Tighter credit conditions, expecially in the form of interest rate pressures, and low business confidence will probably mean, however, that capital goods production will be more severely affected.

"There seems little prospect of a stronger labour market, and unemployment is likely to persist throughout the forecast period . . . because growth is not expected to be particularly strong, and profits squeezed, businesses are likely to attempt to increase supply by using available capacity rather than extra labour wherever possible."

Private sector rates are now at 15 per cent (at least for one finance company), the Government's borrowing programme will probably need to maintain present rates in view of the $40 odd million received in the New Zealand savings stock, and there are clear warnings that the 12 per cent guideline for private sector credit expansion this year will be enforced.

Those three developments have occurred since the Institute prepared Quarterly Predictions. They reinforce the forecasts about interest rate "pressures", slow growth, low business confidence, continuing unemployment, and the use of available capacity rather than taking on more labour or investing in capital goods.

The institute has forecast an increase of 13 to 13.5 per cent in consumer prices for 1979-80. It will be interesting to see if that assessment is lifted in the September predictions, in view of the Budget's impact on the Consumers Price Index, particularly in the area of postal and telecommunications charges, indirect taxes, and probable higher LPG prices.

Some of these increased charges have to be put in perspective, because maintenance of existing subsidies and payments of deficits of trading departments from consolidated revenue, are (in a sense) "hidden" inflation. Someone pays. Exclusion of the "true costs" from the CPI is a cosmetic operation, allowing the real impact to be buried in total taxation levies and receipts.

The institute's quarterly document is becoming more sophisticated with each issue. The text is longer (including the use of a smaller type face) than the corresponding predictions of three years ago, and the use of supplementary papers, some technical, is growing. They allow concentration on more detailed assessments of particular economic trends.

The institute will include two international indicators in future issues, another aid to understanding what is going on in New Zealand, and in the economies which have a vital effect on our economic health.

Analysing annual accounts

by Peter V O'Brien

ALEX Harvey Industries Ltd is one of the country's largest companies, with shareholders funds of $107 million and total assets worth $197 million at March 31, 1979. The annual report is in keeping with the organisation's status, but even AHI could improve its presentation and level of disclosure.

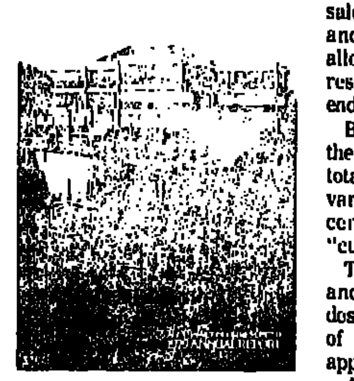
In line with the latest "standard" from the Society of Accountants, the group reveals its turnover ($243.7 million, compared with $220.4 million in 1978), but that is not a new departure for the Auckland-based manufacturer. AHI has regularly provided this information, and given a breakdown (in graph form this year) of expenses incurred in earning pre-tax revenue.

Export sales were 13 per cent of the total, compared with 10.6 per cent in the previous year. The increase in exports over five years is impressive, since the group exported only 4.3 per cent of total sales in 1975.

Information in the profit and loss account is satisfactory until we reach the pre-tax profit level, although it would be useful to have an indication of what proportion of assets are invested in the various broad divisions of company activities, and some statement of sales per division. A company with AHI's wide ranging interests could produce the information, without disclosing "its hand" to competitors.

Fletcher Holdings, Challenge Corporation and CPD are three companies which tell shareholders what is happening in the different sections of their businesses. AHI, as a leader in New Zealand industry, could provide similar facts. A page listing the group's "principal activities" covers several distinct industries, from plastic film to office furniture, but readers are left to work out for themselves what activity produces what revenue, and the level of investment in each of eight corporate groups.

The disclosure of taxation is unsatisfactory for a company of this size. AHI provided $2.2 million in tax (including deferred taxation) from a pre-tax profit of $17,467,000. In 1978 the provision was $4.3 million on a pre-tax figure of



$19,851,000. The relationship between tax and pre-tax income in each year was respectively 12.6 per cent and 21.7 per cent.

A note to the accounts says: "In arriving at the amount of current taxation to be provided in the consolidated profit and loss account full allowance has been made for all deductions available under current taxation legislation."

Export incentives probably accounted for a large part of those deductions, since exports sales increased significantly, and the stock adjustment allowance was unavailable in respect of taxation for the year ended March 31, 1979.

But there is no indication of the deductions, whether in total, or in relation to the various allowances and incentives permissible under "current taxation legislation".

The information is desirable, and will become more desirable when the new system of export tax incentives is applied.

AHI's products come within several of the export incentive "bands". The company should provide a better level of disclosure than that given in this year's report.

Group net profit, after allowance for minorities, was $13,892,000 as against $14,294,000 in 1978, but the pre-tax revenue shows a drop from $19,851,000 to $17,467,000. In the absence of a breakdown of the tax allowances it is better to rely on profit before tax as an indication of trading, because it is impossible to compare 1979's net "apples" with 1978's net "pears".

The balance sheet is straightforward, although the company could have broken down the $53.1 million (1978, $46.9 million) listed as "stock of raw materials, work in progress and finished goods". The text includes references to "difficult trading conditions" and "downturns" in particular industries. It would be useful to know the amounts invested in the three categories, which total $53.1 million, or 26.9 per cent of total group assets.

A growing proportion of finished goods, for example, could mean that AHI (or any company) is manufacturing for stock, rather than for orders, a trend which might indicate difficulties in future unless there is some economic improvement. The information is excluded from the accounts, so shareholders and other readers either ask a question at the annual meeting or accept that the company's affairs are being conducted in line with the state of the economy.

These criticisms may seem a counsel of perfection, but in a company with AHI's diversified interests, close association with the depressed building industries, and corporate status, they are matters which would improve the report, while taking up little extra space.

How does a shareholder, or potential investor assess AHI's likely performance in the absence of figures showing the company's involvement in building supplies as opposed to manufacturing products for the better performing agricultural industries?

The company is in good financial shape. The proprietorship ratio is 54 per cent, and cash flow was 10.2 per cent of total assets at balance date, compared with 11.6 per cent in the previous year. The relationship is down on 1978, but is still good, after allowance for difficult trading conditions in a company providing products to many major industries.

Exchange rates

As at July 12, 1970, $1NZ is worth:

Australia	.9013	Malaysia	2.1812
Britain	.4545	Netherlands	2.0282
Canada	1.1748	New Caledonia and Tahiti	78.14
Fiji	.8260	Norway	5.1115
Japan	218.73	Pakistan	9.9227
West Germany	1.8391	Papua-New Guinea	On App
USA	1.0121	Portugal	49.16
Austria	13.55	Singapore	2.1762
Belgium	29.47	South Africa	.8555
China	1.5527	Spain	66.59
Denmark	5.2889	Sri Lanka	On App
France	4.2906	Sweden	4.2717
Greece	36.30	Switzerland	1.6634
Hong Kong	5.1655	Western Samoa	.8853
India	7.9478		
Italy	827.19		

Key indicators

		Current Period	Previous Year	Per Cent Change
Consumers Price Index — all groups base Dec 1977 .. 1000	June 79 Qtr	1177	1047	+12.0
Building Permits Issued	Feb 79	$94.7m	$67.7m	+39.9
	Feb 79 yr	$1120.1m	$1106.7m	+1.2
Official Overseas Reserves	May 1979	$1,043.5m	$978.0m	+7.3
Registered Unemployed — incl those on special work schemes	June 79	50,054	42,316	+18.3
NZUC Share Price Index	July 13 1979	333.18	331.58	+0.6
Reserve Bank Share Price Index	July 11 1979	1411	1391	+0.5.

PAGE 10 SHOWS YOU WHERE AUCKLAND HAPPENS

DFC continues strong industrial finance growth

by Peter V O'Brien

The Development Finance Corporation is the place to go if you want a term loan to fabricate metal products in Christchurch.

The Corporation's annual report shows that 127 term loans were approved in the nine months to March, from 284 projects. The "fabricated metal products, machinery and equipment" industry accounted for 50 approvals of the total 284, and Christchurch received 28 approvals. While Auckland topped the list with 77 approvals, Christchurch tops the main areas on a proportionate basis. (Northland received approval for 23 projects, but a manufacturer may prefer to operate in Christchurch rather than the thinly populated, and thinly skilled, far North).

You also stand a good chance of assistance if your need is for less than $100,000. In the nine months to March 69 per cent of approvals were for less than that amount.

The report confirms that the corporation is big business in the finance world, and is still bigger than any finance company. Total assets at March 31 were $239 million, compared with $267 million at June 30, 1978. The transfer to the National Provident Fund of liabilities and assets connected with development of container port facilities was the main reason for the decline in the balance sheet totals.

In view of the corporation's recent activities in promoting attractive term loan facilities for plant and equipment (NBR, June 13), a passage in the report will interest private sector financiers:

"In the period under review, the value of the corporation's hire purchase and lease approvals was considerably higher than for the comparative 9 months last year. This increase was due to the inclusion of the Tasman Pulp and Paper Ltd (sic) ship lease which was part of the financial restructuring of that company. Had it not been for this approval the level of activity would have shown a decline of approximately 25 per cent.

"As in previous years, the major part of DFC's financial assistance in this area was for transportation equipment to contractors carting manufactured goods, timber and wood products, and in a number of cases to those involved in civil engineering projects. Earthmoving, construction, and forestry contractors, as well as companies involved in mining and quarrying also received assistance."

Since the report is related to the period ending March, the present position is unclear. The report says that advances were down 25 per cent after exclusion of the Tasman transaction. NBR of June 13 reported that the DFC was actively pursuing new business in the contracting field and offering very attractive terms and interest rates for loan finance.

Corporation general manager, John Hunn, told NBR that the corporation was "re-evaluating its role in providing medium term equipment finance to the contracting and similar non-export industries."

Hunn said it was the corporation's function to "plug gaps" in the financial system. He thought the gap in that area may now be filled.

The corporation wrote off $668,000 in net losses in the period under review, compared with $666,000 in the 12 months to June, 1978. But this loss experience has to be related to the total outstandings. A table in the report — "Loss Experience of DFC" — sets out the relationships. The $668,000 represented 0.32 per cent of total industrial loans and investments outstanding, the latter being $210.2 million at March 31, 1979. The relationship was 0.30 per cent in the previous year, 0.11 per cent in 1977, 0.06 per cent in 1976 and 0.21 per cent in 1975.

The report gives no further explanation on the higher loss experience. Rapid growth in the number of projects approved may be part of the reason (casting the net wider tends to bring in some sickly fish), with tighter economic conditions also providing an answer. On the other hand, a few larger projects may have turned sour, thus distorting the loss experience. Whatever the reasons, the percentage loss is reasonable although it has increased in recent years.

The private sector finance institutions have an ambivalent attitude to the DFC. Several see it as a threat to their business, which was developed over many more years without the backing of the State. But even they have to admit that the annual reports since 1976 show a commendable emphasis on the factual, and a lack of the high flown, but simplistic, attempt at a philosophical synthesis of a State-private sector financial system which marked the 1975 report. Chairman John Mowbray (chairman since 1976) has a background in banking, so that may be an explanation.

The recent reports lack the zealousness which moved me on a previous occasion to describe the corporation as a group of social welfare workers with a better type of client.

There is one omission in the accounts, which attracts interest in these days of rapidly fluctuating currency movements. Referring to exchange fluctuations a note says: "The total realised and unrealised losses on exchange fluctuations have been written off against current profits. The amount of future taxation saving (liability) which will be allowable when the loss (gain) is realised is treated as deferred taxation."

That is appropriate treatment, but there is no indication of how much was written off. The deferred taxation increased from $1,720,000 at June 30, 1978 to $2,542,000 at March 31, 1979, and the corporation says that "the risk of movements in exchange rates between New Zealand dollars and foreign currencies had been fully covered by DFC at March 31, 1979 either by onlending equal amounts in foreign currencies or by arranging satisfactory long or short-term forward exchange contracts." It would be better to show the actual loss experience, in line with many public companies accounting practice.

Fixed interest market heats up

by Peter V O'Brien

The fixed interest investment market is heating up again, after a short period of "stability".

General Finance Ltd announced a top interest rate of 15 per cent for its deposits, and the ANZ Banking Group offered 12 per cent for six month term deposits, with an option to renew at the same rate for another six or 12 months.

The Bank of New Zealand pushed its rates up by between 1.5 and 2 per cent for six months terms on the previous day. The National has also lifted rates.

The banks' moves are understandable as they are under pressure following the July reserve asset ratios, which cut "free funds" to nil. The Government is determined to control credit expansion, and has also affected the fixed interest market with its own rates. As mentioned on Page 12, the New Zealand Savings Stock raised about $40 million, which, together with a net amount (excluding "switched" investments of between $100 and $150 million, depending on who does the calculation) of between $250 million and $300 million from the cash loan earlier this year, will help finance the Budget deficit to the extent of $300 million to $350 million.

The likely rate of inflation this year, plus higher rates on competing investments, suggests the Government is unlikely to reduce its rates by any substantial amount on later loans, and may maintain them.

The rate increase is showing up in the secondary market for fixed term securities. Industrial debentures with nine months to run to maturity were selling on the market last week at a 14 per cent yield for good paper (Lion Breweries, for example.)

Paper with longer maturity was yielding more than 14 per cent, a situation which may be part of the reason for General Finance's decision to move its rate up to 15 per cent.

Assuming an "underlying" inflation rate of about 15 per cent by the end of the year, it becomes more than "preposterous speculation" to think in terms of companies breaking through 15 per cent for term money, although much will depend on the Government's decision on new rates.

The usual position of major financial institutions will make that decision more difficult. Insurance companies took up sizeable amounts in the cash loan, (with some switching their existing investments) after they saw the 13 per cent rate. Organisations which held very short dated securities or invested at the 10 year level, in expectations that the Government would move its rates up in the middle range, made a killing from that switch. Others are showing paper losses, if they held medium dated stock, expecting the long term rate to increase.

But funds raised in the cash loan have left some insurance companies with Government stock holdings in excess of their statutory requirements. The government now has a problem. If it needs additional funds the offer must be attractive. A cut in the rate will keep the institutions out of the loan if they are above the ratio requirement. Keeping the rate at the present level might drag in surplus funds which cannot be placed elsewhere, but companies and funds with long term commitments in mortgages and other investments may have already allocated that "surplus".

Raising the Government rate, perhaps at the long end of the market, could help the problem. That in turn would formalise a high interest rate structure, and add to the cost of public funding.

A lift in public sector ratios would assist in overcoming the difficulties, provided adequate notice was given, particularly to institutions with long term commitments.

The present policy on public sector ratios seems one of keeping all ratios on term funds at the same level irrespective of the type of institution, or their success in keeping to the credit expansion guidelines.

An increase in all public sector ratios across the board if some financial groups go outside the guideline is basically unfair, because the policy fails to distinguish between those who control their activities and those who ignored the guideline.

NBR has suggested that discriminatory ratios would be a better practice. There is precedent for this approach in other countries, where institutions which fail to stay within expansion guidelines are given special ratios as a penalty.

The technique avoids penalising all groups, and therefore takes away from the "guilty" parties the advantage they receive when all ratios are moved upwards.

Some resistance to the approach is apparent in the New Zealand financial community. While the basis of the resistance seems to be hazy it might relate to difficulties with overseas groups in relation to the New Zealand companies. Assuming that the local institution was given a discriminatory ratio, while overseas firms were kept at a lower level, the home product would be disadvantaged. Against that view is the argument that if a New Zealand organisation went outside guidelines then it is more deserving of penalty than an overseas group. In the case of the banks, of course the system of penal borrowing rates from the Reserve Bank overcomes part of the problem, but the example can be applied to other financial institutions.

It is hardly surprising that public companies are endeavouring to lift their payouts and/or bonus issues to shareholders. Higher returns including dividends from capital reserves, which are free of tax, help to maintain the attractiveness of equities as an alternative investment.

"Look at it this way, Mr Helfrick — the sun is shining, the birds are singing, the bees are humming, inflation is spiralling and the flowers are blooming. Four out of five isn't bad."

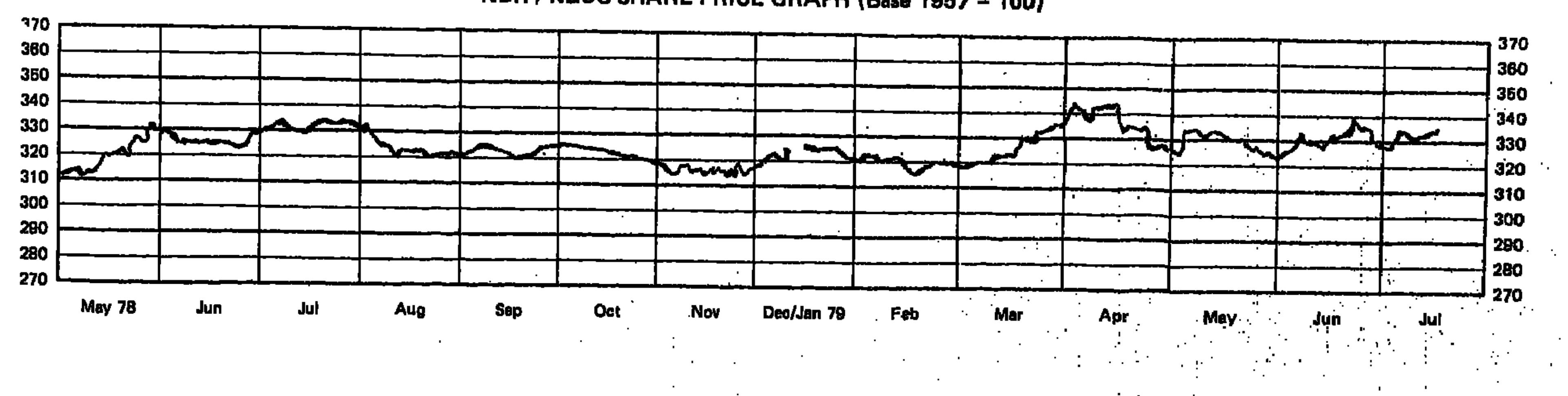
NBR SHAREMARKET SURVEY

WEEK ENDING JULY 12, 1979

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
111	100	AIRWORK,50C	110	110	110	12.0	200	5.5	4.3
220	190	AJAX G.K.N.	208	---	---	13.0	0	6.3	4.1
110	90	A.J.WHITE	110	---	---	11.5	0	10.5	4.8
150	105	ALCAN,50C	106	107	106	20.0	1400	9.4	3.5
255	225	A.H.I.	225	238	275	16.0	3600	7.1	5.1
76	65	ALLIANCE,50C	67	67	65	14.0	10100	10.4	3.5
260	230	ALLIED FARMERS	255	258	255	14.0	2500	5.5	5.6
153	124	ALLIED PRESS	153	---	---	11.0	0	.0	6.6
220	220	ALLOY STEEL	220	220	220	15.0	600	6.6	6.7
212	185	A.M.BISLEY, 50C	200	200	200	25.0	200	6.3	5.5
96	77	AMPOL PET.,50C	86	---	---	7.5	0	4.4	6.5
145	122	A.BEAVEN	122	122	122	12.0	900	9.2	5.1
125	110	A SPRINGHALL,	110	110	110	14.0	600	12.7	3.6
260	245	A.WRIGHT	245	---	---	17.0	0	6.9	3.0
260	190	A.BARNETT	250	250	250	14.0	500	5.6	4.0
150	125	A.ELLIS	130	130	130	12.0	300	9.2	3.9
330	287	ARTHUR YATES	295	300	295	17.0	2900	5.8	6.4
315	275	ASHBY BERGH	275	---	---	22.5	0	8.2	4.7
215	175	A.B.CABLES	215	215	215	20.0	1600	9.3	5.5
60	49	ATLAS, 50C	57	57	55	10.5	17500	9.2	3.1
425	310	AUCK.GAS	425	425	420	13.0	8450	3.1	9.8
225	185	AURORA,50C	185	186	185	20.0	1300	5.4	9.9
		A.C.I.	198	---	---	11.0	0	5.6	7.2
90	70	AUTOCRAT HOLDS	75	75	75	8.8	1300	11.7	4.1
79	50	BAILLIE,50C	62	62	61	11.0	1100	8.9	7.0
82	72	BALLINS,50C	79	79	78	14.0	4700	8.9	5.2
465	400	BANK. N.S.W.,$2	430	430	430	16.0	3000	7.4	6.2
82	55	BEACH PETR.,50C	80	80	50	---	500	---	---
86	65	BING HARRIS, 50C	85	85	85	12.5	29700	7.5	19.3
185	156	B.N.Z. FINANCE	155	159	156	14.5	7200	9.2	7.1
54	42	BRAMWELL BURNETT,50C	45	45	45	12.0	200	13.3	3.1
56	50	BRIDGEVALE,50C	54	---	---	6.0	0	5.6	6.0
250	201	BRIERLEY, 50C	225	226	224	24.0	12700	5.3	5.2
77	65	BOS, 50C	72	72	72	16.0	100	11.1	6.7
66	52	BROADLANDS,50C	55	55	54	14.0	45500	12.7	5.8
1440	1050	B.H.P.,$2	1170	1170	1150	16.5	3535	2.8	31.7
95	90	BROTHER, 50C	90	---	---	20.0	0	11.1	4.0
80	60	BUNTING,50C	80	80	75	11.0	566200	6.9	11.1
156	150	BURKES CAT.,50C	150	150	150	22.5	1300	7.5	5.2
148	126	C.P.D.	141	143	141	14.0	7100	9.9	3.8
195	170	C.F.C.A.	190	195	190	15.0	31400	7.9	6.3
180	130	C.F.M.	172	172	170	14.0	2800	8.1	4.1
150	145	CANT.FLOUR	150	---	---	15.0	0	10.0	6.2
200	140	CANT.TIMBER	200	200	195	10.0	23200	5.0	---
290	160	CAPITAL RADIO,50C	275	275	275	---	21300	---	78.7
60	53	CAPITAL LIFE,50C	58	60	58	10.0	4100	8.6	10.4
310	230	CARBONIC ICE	235	235	235	14.0	600	6.0	4.6
225	208	CARTER HOLT	215	219	213	15.0	64800	7.0	4.4
188	155	CEPAMCO	165	166	162	14.0	33500	7.6	5.4
216	180	CHALLENGE	200	200	195	12.5	8700	6.3	5.4
105	85	CHENERY	95	95	93	10.0	2700	10.5	3.5
165	115	CH'CH.GAS	165	165	160	2.5	1600	1.5	6.7
260	220	CH'CH PRESS	225	---	---	14.0	0	6.2	10.6
35	28	CITY REALTIES,10C	37	37	37	14.0	200	4.4	15.7
150	60	CLASSIC FASHIONS,50C	100	100	95	15.0	3200	7.5	3.9
95	82	CLYDE ENG.	82	82	82	16.0	1200	15.5	6.0
210	148	COL.MOTOR	200	200	200	13.0	200	6.5	4.5
150	122	COLYER WATSON	144	144	144	6.5	2300	4.5	13.2
360	240	COPALCO,50C	340	---	---	22.0	0	3.2	17.0
120	102	COMMAND	110	113	105	12.5	6200	5.7	3.9
		COM.BANK AUST	320	---	---	16.0	0	5.0	6.5
208	140	CON.METAL,50C	155	155	155	16.0	900	5.2	6.2
7	3	CON.SILVER, 4C	4	4	4	---	1000	---	---
250	160	COOKS WINE	210	210	202	6.0	2600	2.9	6.2
453	90	COPY-WRIGHT	95	---	---	11.0	0	11.1	[illegible]
260	200	CROWN CONSOLIDATED	215	216	210	11.0	5500	7.0	[illegible]
490	395	C.S.R.	400	---	---	15.0	0	3.5	11.5
112	80	CYCLONE,50C	110	---	---	12.0	0	5.5	6.1
250	195	DALGETY(N.Z)	200	202	200	12.5	5500	6.3	9.2
53	41	DALHOFF & KING,50C	45	49	48	12.0	1600	12.5	4.6
295	250	DEANES	220	---	---	12.0	0	6.3	4.5
155	130	D.I.C.	134	135	132	12.5	19100	9.3	10.9
170	145	DINGWALL & PAULGER	160	160	160	---	200	---	---
145	90	D.MCL WALLACE,50C	142	142	142	11.0	5100	3.9	7.4
80	70	D.I.G.A	70	70	70	5.5	100	12.1	22.3
108	90	DOM.BREW.,50C	90	94	90	17.0	21500	9.4	4.6
285	225	DONAGHYS	260	260	260	15.0	700	5.8	4.5
245	235	DONALD REID OTAGO FARMER	245	245	245	16.0	500	6.5	6.9
91	82	D.S.G.,50C	85	85	85	13.5	1200	7.9	4.2
235	114	DUNLOP (AUST)	231	---	---	10.0	0	4.3	10.9
255	200	DUNLOP (NZ)	245	255	255	25.0	3000	10.6	4.5
110	102	EBBETT	105	105	105	14.0	500	11.4	5.2
95	78	EDGS,50C	93	93	92	12.5	2400	6.7	3.5
142	122	E L'STEIN,50C	142	142	142	12.0	1600	6.3	3.1
80	71	EMPEROR MINES,10C	78	---	---	---	0	---	2.0
		EQUIT.BLDG	107	---	---	12.5	0	11.7	8.8
210	185	E.ADAMS	210	---	---	12.0	0	5.7	6.2
114	85	F.I.C.,50C	91	92	91	15.0	21300	8.2	5.1
70	62	F.WAIMAN,50C	62	62	62	12.5	1000	10.1	4.2
109	97	FELTEX,50C	102	103	101	16.5	21000	8.1	7.5
125	110	FIRESTONE NZ	115	115	110	---	1700	---	4.4
238	198	FLETCHER	237	238	235	18.0	22900	7.6	5.0
145	120	FOUNTAIN CORP	130	---	---	9.0	0	6.9	4.5
113	93	FREIGHTWAYS, 50C	100	100	100	16.0	9700	8.0	5.0
130	125	GEAR	125	125	125	5.0	1000	4.0	12.1
145	130	GEN.FINANCE	132	132	132	12.0	2300	9.1	5.7
100	95	G.COURT	100	100	100	11.0	1200	11.0	5.5
		GIANT	75	---	---	17.0	0	21.5	2.9
275	261	G.J.COLES,50C	270	---	---	24.0	0	4.4	11.7
56	40	GOLDEN BAY,50C	46	47	46	12.0	11800	13.0	6.0
217	210	GOODMAN GROUP	210	217	210	---	2300	---	---
42	29	GROSVENOR PROPS, 25C	42	42	42	8.0	400	4.8	17.5
240	195	HALLENSTEIN	212	212	217	16.0	400	7.5	4.4
167	160	HARLEY	165	---	---	12.0	0	7.3	7.0
225	100	HAURAKI ENTERPRISES	200	200	185	120.0	6600	.0	90.9
82	62	HAWKINS,50C	70	70	67	18.0	19100	12.9	1.8
92	75	HAYWRIGHTS	90	90	62	5.0	11500	5.6	37.5
212	140	H.B. FARMERS	195	195	195	---	2600	---	5.4
360	265	HEALING	355	---	---	16.0	0	4.5	6.4
200	142	H.POLLARD	190	190	190	12.5	800	6.6	7.5
160	140	HENRY BERRY	140	140	140	30.0	1000	25.7	2.6
265	230	HODDER & TOLLEY	250	250	250	17.0	4000	6.2	5.2
		HOOKER,50C	73	---	---	15.0	0	10.3	6.5
155	154	I.C.I.(AUST)	155	---	---	16.0	0	10.3	4.0
160	106	I.C.I.(NZ)	160	160	160	14.0	19200	8.8	5.1
215	185	IND BROADCASTING	190	---	---	16.0	0	8.4	8.7
133	123	INDEPENDENT NEWS	125	125	125	13.0	400	10.4	6.9
186	145	IND.CHEM,50C	159	---	---	15.5	0	4.9	7.7
130	118	I.W.DEW,50C	125	125	125	16.5	3100	6.6	6.8
206	170	JAMES AVIATION	200	200	200	12.5	600	6.3	2.3
245	65	JAMES SMITH 50C	97	97	95	16.0	1000	8.2	5.3
245	210	J.E. WATSON	240	240	240	16.0	200	6.7	5.5
240	138	J.BURNS	185	185	180	12.5	16700	6.8	42.5
165	150	JOHN EDMOND	156	---	---	14.0	0	9.0	3.4
72	55	J.WEBSTER 50C	63	63	62	16.0	2000	12.7	5.5
140	115	J.NATHAN	140	---	---	12.0	0	6.6	5.0

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
190	170	J.RATTRAY	185	185	185	12.0	2200	6.5	4.6
210	210	KEARNS-DATINA	210	---	---	3.0	0	1.4	25.3
89	67	L.W.RUDKIN,50C	71	71	71	14.0	7300	9.9	3.1
60	45	LANES,50C	48	48	48	10.0	700	10.4	7.6
212	160	L.D.NATHAN	190	190	186	14.0	15200	7.4	4.4
95	75	LEYLAND,50C	90	90	90	15.0	2000	8.3	16.6
80	71	LION	78	78	77	15.0	50400	9.6	7.7
35	15	L.EN.OIL,50C	23	23	22	---	4200	---	57.5
255	255	LUSTEROID	255	---	---	21.0	0	8.2	4.0
130	112	MAINZEAL CORP,50C	130	130	125	16.0	1600	6.2	5.1
220	165	MAIR,50C	215	215	210	25.0	3000	5.6	5.4
120	100	MANAWATU,50C	105	105	105	16.0	300	7.6	5.6
185	155	MANTHEL	165	165	160	10.0	1500	5.4	3.6
190	170	MARAC	170	170	170	15.0	1700	8.8	6.0
140	112	MCALPINE,50C	120	---	---	16.0	0	6.7	2.7
166	145	MCKECHNIE	155	155	155	12.0	1000	7.7	4.9
120	61	MCKENZIES,50C	105	106	105	11.0	7600	5.2	9.6
		MED.SUPPLIES	235	---	---	5.0	0	2.1	3.4
160	125	MIDLAND	150	---	---	12.0	0	8.0	6.4
25	12	MIN.RESOURCES,20C	18	18	18	---	6500	---	15.0
72	55	M.O'BRIEN,50C	69	69	69	10.0	900	7.2	5.5
135	113	MONTANA,50C	129	132	128	7.5	21100	2.9	7.5
320	130	M-P.I.M.	150	150	150	12.5	2200	8.5	3.7
140	123	MOSGIEL	125	125	123	13.0	6400	10.4	5.1
66	50	MOTOR HOLDS.,50C	66	66	63	11.0	27200	8.3	3.0
90	73	MOTOR TRAD.,50C	77	77	76	14.0	3200	9.1	51.3
120	100	MSI CORPN,50C	115	115	115	17.0	12300	7.4	4.4
265	150	MT.COOK	175	175	173	13.0	6600	7.4	5.8
405	240	M.I.M.HOLDS.,50C	395	395	395	15.0	500	1.9	28.8
200	178	NAT.INSCE	197	197	195	27.0	19300	13.7	4.6
		NAT.PICTURES,$2	172	---	---	5.5	0	6.4	15.1
130	120	NAYLOR	130	---	---	12.0	0	9.2	3.3
		NCF KAIAPOI	115	---	---	4.0	0	3.5	4.1
57	38	NEIL HOLDINGS, 50C	42	42	42	12.0	77000	14.3	2.8
114	98	N.Z.CEMENT	98	98	98	5.0	600	5.1	8.1
96	61	N.Z.F.C.,50C	93	93	93	14.0	6200	7.5	8.2
192	162	N.Z.FARM FERT.	170	170	165	13.0	3900	7.6	5.6
248	200	N.Z.F.P.	235	239	233	15.0	42400	6.4	6.1
325	238	N.Z.I.G.	300	300	300	17.0	200	5.7	7.2
255	226	N.Z.I.	228	228	226	20.0	4900	8.8	4.0
30	18	N.Z.LAND,50C	20	20	20	---	400	---	100.0
106	70	N.Z.LEATHERS	72	75	72	---	4100	---	4.2
115	70	N.Z.MOTOR BODIES	75	---	---	10.0	0	13.3	7.7
136	108	N.Z.M.C	135	135	134	17.0	15600	2.9	4.5
180	165	N.Z.NEWS	177	177	174	16.0	3500	9.0	6.2
220	142	N.Z.PASTORAL	215	---	---	10.0	0	4.7	14.6
40	21	N.Z.PETROL,50C	35	35	35	---	300	---	50.0
93	78	N.Z.REFINING	81	81	80	7.5	7800	9.3	4.9
165	165	N.Z.STEEL	181	181	180	11.0	13700	6.1	4.4
165	140	NZTS,50C	153	155	152	12.0	2500	3.9	6.4
390	325	N.Z.UNITED	390	---	---	20.0	0	5.1	8.6
108	100	NIVEN INDUSTRIES	108	108	106	6.0	800	5.6	11.1
75	67	NUHAKA	75	---	---	---	0	---	---
68	50	OGLINS,50C	63	63	62	11.0	26000	10.3	5.4
86	63	OPTICAL HLDGS, 50C	65	65	65	12.5	400	7.5	6.7
150	125	PAYKOC HOLDINGS	125	---	---	---	0	---	---
108	100	P.D.L.HOLDS,50C	105	---	---	13.0	0	6.2	7.7
90	85	PERM.INVEST	85	---	---	11.5	0	13.5	7.9
112	104	PHILLIPPS & IMPEY,50C	105	107	105	17.5	20000	8.3	5.4
95	75	PRESTIGE,50C	75	76	75	15.0	17200	10.0	4.2
165	150	PRINT & PACKAGING	160	160	160	13.5	4700	8.4	5.7
400	320	PROGRESSIVE	395	395	395	11.5	1600	2.9	5.3
195	132	PROP.SECURITIES,50C	190	190	190	25.0	2000	6.6	11.3
105	100	PRUD.BUILDING	104	104	104	15.0	200	14.4	5.0
90	75	PYE ELECT.,50C	72	72	72	15.0	4800	7.9	5.7
130	123	QUILL MORRIS,50C	130	130	130	14.5	500	5.6	3.5
345	140	RADIO AVON,50C	142	142	140	35.0	9700	9.6	4.1
350	280	RADIO OTAGO	300	---	---	20.0	0	6.7	7.2
100	95	REGINA	95	---	---	11.0	0	11.6	2.9
225	123	R & W HELLABY	190	190	178	14.0	39600	7.4	3.5
80	71	REPCO(NZ),50C	75	75	75	12.0	5200	8.0	5.5
6	3	REPUBLIC PET.,50C	6	---	---	---	0	---	---
255	220	REVERTEX	250	---	---	14.0	0	5.6	5.1
240	228	REX CONSOL.	230	220	210	14.0	300	6.1	7.6
215	175	RHEEM,50C	170	150	175	12.0	200	3.5	7.7
242	242	RICKSTAN,50C	242	---	---	---	0	---	29.2
112	97	ROTHMANS,50C	104	104	103	15.0	54900	7.2	5.0
280	260	R.W.SAUNDERS	280	---	---	20.0	0	7.1	2.3
275	225	SALMOND	275	---	---	14.0	0	5.1	5.9
290	210	SANFORD	290	290	285	16.0	600	5.5	5.1
135	110	SCHOFIELD	130	130	130	9.0	4600	6.9	9.1
59	52	SCOTT,50C	54	54	53	4.0	5500	3.7	7.3
200	200	SELBY	200	200	200	15.0	1700	7.5	4.6
255	225	SKELLERUP,50C	240	245	240	20.0	6300	4.2	4.1
135	110	SMITH, BROWN,50C	130	130	130	16.5	1200	6.3	5.0
190	168	SMITH BIOLAB,50C	185	185	185	15.0	500	4.1	6.4
145	130	SMITHS C.M.	133	133	133	12.0	100	9.0	4.4
315	274	STH. BRITISH	284	287	283	23.5	17400	8.2	4.9
130	109	STHN. CROSS HOTEL	130	---	---	9.0	0	6.9	27.1
11	7	STHN CROSS MINS.,20C	7	---	---	---	0	---	---
215	175	S.F.M.	196	196	195	15.0	1900	7.7	5.3
90	73	SPEDDING, 50C	75	75	75	22.0	1000	14.7	11.7
105	95	STEEL & TUBE, 50C	105	105	100	16.5	6700	7.9	5.7
156	97	SUCKLING	158	---	---	14.0	0	8.9	5.5
185	135	TAPPENDEN	180	---	---	12.0	0	6.7	11.5
200	144	TASMAN, 50C	190	190	185	5.0	7600	1.3	17.8
145	120	TAYLORS	145	145	145	13.0	200	9.0	6.1
245	145	TELTHERM	180	165	160	17.0	3300	9.4	4.2
86	75	TNL GROUP,50C	81	82	80	14.0	79600	8.6	8.3
425	345	T J EDMONDS	420	420	420	17.5	600	4.2	6.5
100	80	TOLLEY	80	60	60	10.0	200	12.5	11.0
90	72	TOUR FIJI	80	---	---	---	0	---	---
45	42	TRANS ASHBURTON, 50C	43	---	---	10.0	0	11.6	4.0
150	120	TRANS HOLDS	150	---	---	12.0	0	8.0	6.9
115	100	TRANS (NTH. CANT.)	104	104	104	12.5	400	12.0	4.3
165	135	TRANSVISION	160	160	160	7.5	900	4.7	9.6
158	135	U.D.C.	140	140	140	12.5	2200	8.9	5.6
94	80	U.E.B.,50C	92	92	91	17.0	19300	9.2	6.3
95	93	UNITED BLDG	93	---	---	15.0	0	16.1	4.7
150	120	UNITED PUBLISHING,50C	150	---	---	16.0	0	6.0	4.6
85	52	VACATION,50C	75	77	75	9.0	6500	6.0	5.8
150	134	WAITAKI-NZR	146	146	144	13.5	24100	9.2	4.1
300	255	WALKER&HALL	300	300	300	13.0	100	4.3	6.4
97	88	WATTIE,50C	93	93	92	15.0	52000	8.1	4.2
450	150	WGTN.GAS	430	430	430	12.0	400	2.6	9.0
135	90	WILKINS & DAVIES	130	130	130	10.5	3400	8.1	9.3
175	166	W.JEFFERY	170	---	---	12.5	0	7.4	4.9
268	230	WILSON & HORTON	237	232	230	17.0	10600	7.3	4.9
135	100	WILSON DISTILLERS	130	130	130	---	2000	---	56.0
340	290	WILSON NEILL	340	340	335	15.0	21500	4.4	6.4
93	80	WINSTONE,50C	81	82	80	14.0	97500	8.6	5.8
189	115	W'WTHS (AUST),50C	175	175	175	19.0	800	5.4	7.7
330	200	WORMALD	330	---	---	15.0	0	4.5	4.4
205	170	W.R.CARPENTER,50C	170	---	---	23.0	0	6.8	212.5
125	105	W.SUTHERLAND	125	125	125	---	100	---	2.3
220	220	ZEALANDIA	220	---	---	10.0	0	9.1	13.6

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



PM chalks up first round points in wage talks

by Cathy Strong

THE INDUSTRIAL FRONT

THE Prime Minister may have won round one of the General Wage Order (GWO) annual punch up.

The Federation of Labour gave away the idea of trying to get an across-the-board increase for all workers, as in previous years.

Last week, the FOL applied for an increase in the Minimum Wage Rate, an uncommon move for union-initiated wage movements.

In the short term such an increase will probably have a small impact on the country's wage bill, and a small impact on the wage packet of most employees.

The Prime Minister was making noises about scrapping the system of General Wage Order determined by an independent board.

The threat must have had some bearing on the FOL's decision to try something different.

Arguing an across-the-board increase (that is, a flat 10 per cent for everyone) would be easy, using the same formula as in past years.

But the unions would have to face the same results as past years when the arbitrating body gave them a *fraction of* the claim.

Also, the "effective wage rate" (which measures wages versus inflation) is expected to show this year that the average wage earner isn't all that badly off.

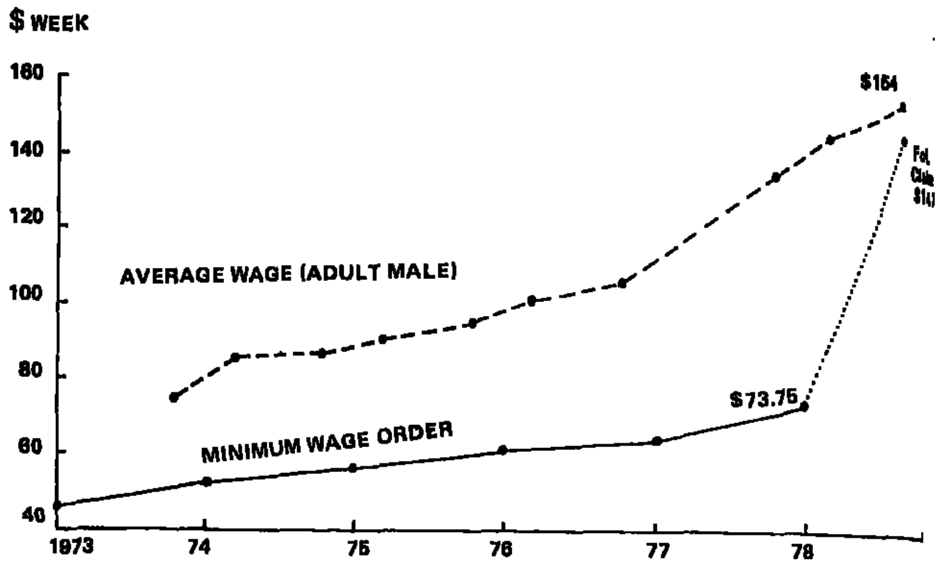
Muldoon, and undoubtedly employers, want to stop the wage spiral that allegedly has a strong bearing on inflation.

Increases to everyone in the General Wage Order doesn't seem to halt the periodic relativity increases within the awards. That is what spurred Muldoon's threat of scrapping the General Wage Order.

The Minimum Wage Act is usually determined by an order in council, no submissions nor applications are involved.

It now decrees that the minimum amount allowable paid to a full-time adult worker is $73. (That is before tax, and is about the same as a person on the dole.)

It has gone up about 50 per cent in the past five years (the average male rate went up more than 100 per cent in that time).



The FOL wants the Minimum Rate doubled, to $147 a week.

The idea is to make it a "minimum living wage". In an attempt to be the champion of the down and out, the FOL argues that everyone should receive a wage that can support a spouse and children. It claims that even this $7700 a year would just barely cover necessities.

It has gone all out in publicity to get the most mileage out of its attempt to "distribute the country's wealth on the basis of need and social justice."

The FOL's publicity tries to tackle the obvious questions . . . such as telling the higher-paid worker that his relativity shouldn't be eroded since the next round of award negotiations can build on top of this Minimum Wage, and telling the single-income family that the increase will not unfairly overpay the two-income family since the tax system will make adjustments to them.

The Combined Services Union usually backs up the FOL claims with very sophisticated research. But this year it will probably support the traditional across-the-board percentage increase, since most of its members are well above the minimum rate.

As it stands, those earning above $147 a week wouldn't get anything out of the General Wage Order claim in the short term, but would expect to get a flow-on when renegotiating their rates the next time.

It would be a tricky case for the Employers Federation and Government to fight. It will be hard to find accurate figures on how many single-income families are earning only the minimum wage while working a 40-hour-week.

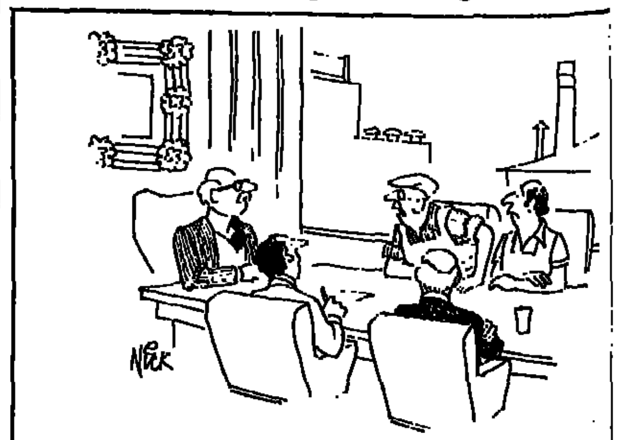
The FOL says the "average" rate of $154 is a deceptive mathematic figure, and it claims a great number of wage and salary workers would be below that.

There's no way to prove or disprove that.

Therefore, the short term impact of such a minimum wage on inflation would be impossible to determine. It will be easier to predict the long term impact, assuming that the increase would flow-on to most other awards.

That is the area most likely to be debated at the hearing.

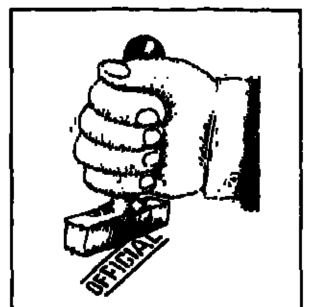
Next week the parties should get together for a pre-session to sort out details. It is likely they will set a hearing date around August.



"Aha! Trying to buy us off with huge salaries and great working conditions, huh!"

Rules need regulation

by John Draper



GOVERNMENT ADMINISTRATION

THE International Air Tariff Regulations are another example of the executive extending its powers beyond the point apparent prescribed in the relevant statute.

Lawyers questioned by NBR doubt if the restriction of weekend petrol sales, or the wage stabilisation regulations would stand up in the courts if challenged.

The enabling acts under which the Governor-General supposedly made the regulations do not give him power to do so, or in legal terms the regulations are ultra vires.

Government by regulation has become an increasing part of the New Zealand way of life.

Sitting with the Executive Council-Cabinet — the Governor-General is empowered by many Acts to make regulations. Effectively he does what the Cabinet orders.

The theory in a Westminster-style democracy is that Parliament passes legislation setting down the policy.

The Government of the day is then able to interpret and apply the policy decisions by making regulations as and when appropriate.

Since 1962, and the report of the Algie Committee, the Governor-General's regulation-making power is set out in each Act.

The glaring loophole, and the Government's favourite enabling Act, is the 1948 Economic Stabilisation Act which empowers the Governor-General to pass a wide range of measures.

Between 1949 and 1965, 43 sets of regulations and amendments were made under the Act.

Over the following decade another 108 were passed, and in the last three years 62 sets of regulations have resulted.

The 1948 act replaced emergency wartime measures and some lawyers maintain it clearly restricts the powers of the Governor-General.

Deborah Shelton, at Victoria University, has extensively studied the 1948 Act and the regulations passed under it up to 1978.

She says the petrol regulations made recently to stop sales at after 7 p.m. on Fridays and before 6 a.m. on Monday are invalid.

"If they are for the reasons the Government says they are, for the control of petrol stocks, then they are invalid," she said.

"But if they are to conserve stocks because of rising world prices to save foreign exchange, then they may be valid."

More appropriately the petrol regulations could be fitted in under the International Energy Act, passed by Parliament after the last energy crisis.

But first the Governor-General has to declare a petrol emergency — a petrol crisis — which so far the Government has been reluctant to do.

As yet, no service station proprietor nor the Motor Trade Association, has appeared willing to challenge the validity of the regulations.

The association has sought legal opinion on the application of the regulations to historic selling, whereby a customer who pays for petrol on a weekday could collect it at the weekend.

It was advised that such methods would be regarded as a breach of the regulations, but the association is not prepared to go to court to find out if the regulations themselves are valid.

Several sets of draft regulations prepared for the Executive Council last year are said to have had accompanying notes from the Law Drafting Office questioning the power of the Governor-General to pass them. All were passed.

Regulations are rarely cheap for those who have to abide by them.

Goodyear, the American tyre giant, estimates that complying with the regulations laid down by only seven federal agencies cost $48 million in 1977, 22 per cent of its after tax income.

Goodyear chairman Charles Pilliod admitted that many regulations did provide necessary protection for consumers, workers and the environment.

"But it is our experience that much of Goodyear's spending to meet regulations is wasteful and non-productive," he said.

Across the Tasman, the Confederation of Australian Industry is becoming increasingly concerned at the burden of regulations and the resultant paperwork from the three tiers of Government, local, state and Federal.

The confederation has formed a special task force to find out what regulations are costing business. It is due to report by the end of the year.

The New Zealand Chambers of Commerce are claiming a victory after persuading the Government to think again on one 13 page regulatory document.

Now the chambers are surveying 200 leading public companies to determine what is the cost and effectiveness of existing regulations to the business community. Results are expected later this year.

Travel agents press governments to halt undercover kickbacks

by John Draper

TRAVEL agents are urging Governments on both sides of the Tasman to stamp out undercover kickbacks and other selective commissions paid by airlines to get more business.

Kickbacks over and above the standard commission rates are far more common in Australia, where agents are pressing Prime Minister Malcolm Fraser to order an investigation.

Usually the payments find their way into the traveller's pocket through lower fares while the agent benefits from the higher volume.

Clubs, societies and organisations have specifically been formed to take advantage of group travel fares offered by airlines.

Others, particularly in Australia, have been getting bigger discounts than most.

Now the Travel Agents Association of New Zealand is presenting the Ministry of Transport with a test case.

The Link group of travel associations, formed primarily to assist European immigrants visit relatives at home, is offering members discounts of up to 26 per cent on normal fares.

By advertising discount fares in its newsletters, Link is walking boldly into the limelight, challenging both the travel industry and Government.

Regulations passed in 1978 make illegal the discounting of fares orginating in New Zealand, unless approved by the Secretary for Transport.

But it is questionable if discount fares sold within New Zealand for travel between, say, Singapore and London can be so controlled.

Section 29 of the Civil Aviation Act 1964 empowers the Governor-General to make regulations to generally regulate civil aviation. Among other matters, he may "prohibit or permit," subject to such conditions as the Minister may impose, the operation of international flights by aircraft to, from or within New Zealand".

The International Air Tariff Regulations of 1978 goes into further detail, allowing only those fares approved by the Secretary for Transport to be sold.

Some lawyers doubt whether the regulations or the 1964 Act can control the sale or advertising of discount airfares for travel in other parts of the world.

The regulations appeared as Sir Freddie Laker was forcing airlines, including Air New Zealand, to cut fares for budget travellers.

The Ministry of Transport has made no secret that it would try to prevent the advertising of low fares to Europe which combine Air New Zealand budget fares with Laker Skytrain fares.

Significantly, British travel agents suffer no such restrictions. They readily offer London-Auckland packages using the cheapest available fares.

Birth of a concept

WELLINGTON now has videotape recording equipment more modern than that of Thames Television in London. That was the message given to an audience of advertising agency men in Wellington recently at a champagne breakfast marking the advent of Concept Video (NZ) Ltd.

Similar functions were programmed for Christchurch and Auckland.

The speaker who delivered the message was Andrew Brown, New Zealand-born producer of many of Britain's best known television programmes, including "The Guardians", "Rock Follies" and "Edward and Mrs Simpson". He was here as a guest of Concept Video to participate in the three-city launch.

He briefly outlined the advantages of VTR. "You can see what you're getting as you record it," he said. "You can treat it as a film camera but edit as you go. You can incorporate effects more or less at will. And the most marvellous thing of all — you can experiment."

Discussing trends in television drama in United Kingdom, Brown emphasised the greater flexibility made possible by the new mobile outside broadcast videotape recording units.

Instead of constructing sets at astronomical costs, existing buildings could be used.

In non-naturalistic productions, such as "Rock Follies", technical effects could eliminate the need for sets. Sequences from that show were played to demonstrate technical and lighting effects possible with videotape recording.

From its 1200 square metre complex at Miramar, Concept Video offers the facilities to produce everything from advertising commercials to television programmes or closed circuit television for conferences or sales promotion.

The extensive range of modern equipment includes a fully self-contained mobile recording unit in highly compact form which is the only one of its type privately owned in New Zealand.

Chairman of the new enterprise, Ray Shaw, retired marketing director of TV1, described it as "the most modern video production unit in New Zealand."

That sounds like fighting talk and there'll be no lack of either film or VTR contenders ready to climb into the ring.

ADMARK

White heat cools in print

WE DOUBT whether airing industrial disputes in public via the medium of advertising is an effective way of influencing opinion except for that of your members (be they employers or employees) who are on your side anyway.

This opinion was reinforced when we read the advertisement inserted by the New Zealand Public Service Association dealing with the electricity workers' dispute.

Though the difficulties innate in presenting a case which has already been widely reported and debated in the media call for extremely professional handling, generally the job is left to amateurs.

And it shows. The white heat of argument carries on into print and the writer fails to realise that the use of highly emotive language isn't necessarily going to trigger the same response in a reader.

This ad, for instance, talks about "monstrous reaction", "provocative slap in the face" and "holding a gun at workers' heads".

Then there is the question of truth which we suspect is always the first victim in this kind of argument.

We may well be told the truth, but is it the whole truth and nothing but?

This ad states: "Because they (electricity workers) disagree with the Prime Minister he changes the law."

The public's recollection of this will be that (a) the PM was reacting not to a disagreement but the threat of industrial action and (b) that he was countering the threat with another threat and had not changed the law at the time the ad was run.

Any advocate employing advertising to further the cause in an industrial dispute needs to be concerned with the reactions of bystanders who are not involved in the argument but are directly affected by the results of industrial action.

In this PSA ad, under the sub-heading "The action has been moderate" the copy deals with previous power cuts stating that "the only effect on the public has been a degree of inconvenience for which the association has publicly expressed regret."

So, if you apologise to the public for withdrawing a service which belongs to them and for which they pay, that makes it all right?

If industrial problems are not increasing, at least the media coverage of disputes seems to be. Under the barrage of verbal warfare the public reaction may well be to suspend belief.

Lose some, win some

THERE is an entertaining sequel to the story we ran in ADMARK June 27 issue, where we told of the refusal of TV1 to run Radio Windy's commercial on the grounds of knocking copy.

Subsequently the news came that Dave Mahoney, Windy's breakfast jockey who was featured in the banned commercial, had won the Air Personality of the Year award for New Zealand.

This is one of two awards made annually for New Zealand by Australia's B&T magazine and is based on tapes submitted. (Radio Hauraki won the commercial of the year award.)

The programmers at TV latched on to this information and there was Dave Mahoney telling his story on the Good Day programme at 1 p.m.

He was interviewed and one of his "phantom phone calls" which have achieved local fame in Wellington, was played back for a total of about four minutes of first-class free publicity.

You lose a few and win a few.

Small operators feel forgotten

by Wayne Brittenden

HE'S far too relaxed and free-speaking to be mistaken for a mogul from Mitsubishi (he'd hate that to happen), but Toshihiro Fukurai seems at first glance to be the typical Japanese businessman.

What sets him apart from his peers is a staunch commitment to the political left.

Fukurai, 43, has been in business for 18 years. The first 10 were as a disenchanted cog in an unnamed corporate wheel and the remainder as one of three partners in a small export operation dealing mostly in wooden household goods and kitchenware.

More than a third of his turnover comes from New Zealand.

"I was in Auckland during the oil crisis in 1972", he recalls.

"That's when I became interested in politics. I was dining with a New Zealand customer who told me that there was war in the Middle East. That was the start of my unhappiness.

"I got good orders from him and flew back to Tokyo, but I started to realise that costs were going sky-high and that even good orders couldn't be profitable.

"All of them were cancelled. After the war, the United States dollar and foreign trade currencies got into the floating system and it got more difficult. A quotation from a factory today was useless because next week the price would go up."

Fukurai insists that the present Japanese economy is artificial and "manipulated by a small minority".

He claims that some have profited from the oil shock but he and his friends in other small businesses have been virtually destroyed.

He argues that while large export operations were able to capitalise on the state of the soaring yen and the world market by switching to importing, small manufacturing exporters went under because of the under-utilisation of their equipment and insufficient capital to make the transition.

In many respects he typifies a growing number of Japan's small company operators who feel forgotten. Others, he says, know what's happening but have to keep silent because they are sub-contracted to the giants.

For Fukurai it has meant bitter retaliation by becoming an arch-opponent of the ruling Liberal Democrats, an activity that seems to stem more from resentment than ideology. The dark-suited company man is no Che Guevara, but at times he sounds like a Marxist and at others, he's more akin to a Rockefeller.

"The banks are now grasping the heart of the Japanese economy and they must be nationalised", said Fukurai in one of his more radical bursts.

"The industrial corporations are under banks such as the Bank of Japan, which belongs to the Government.

"In ordinary cases, when small businessmen borrow, they impose severe conditions — they're very eager to collect our money but, generally reluctant to lend."

Like many well to the left in Japan, Fukurai sees a socialist Government disbanding mostly the giant business interests, and leaving small businessmen like himself to pursue their own livelihood more profitably in a climate of "economic democracy".

It's almost as if other political lines came as an afterthought. Yes, the unions should be more powerful but they're merely pursuing selfish interest and not concerned with struggles abroad. No, there's no contradiction about a businessman embracing leftist politics, because the conservative Government isn't supporting small businesses.

Getting to the core of the Japanese establishment, he takes a swipe at some of its leaders.

"You know, one wonders about this country. After World War II in Germany and Italy the war criminals were punished or executed and then the new democracy began. But in Japan, many such men still have great power. They drove Japanese people to the war and told them to die for the Emperor. Only a small minority of young people follow them now — we're gradually getting wise."

In addition to New Zealand ("I admire its social legislation"), Fukurai exports to Britain, the United States, Australia and — people's struggles aside — South Africa.

"I've never exchanged opinions with the South African people and I think that I shouldn't intervene in another country's domestic problems. Besides, we're afraid of losing customers."

Wayne Brittenden is Radio New Zealand's correspondent in Tokyo.

TOSHIHIRO FUKURAI . . . bitterly retaliates against ruling party.

State publicists: (PM) Muldoon shares Savage broadcasting view

SIR JOHN MARSHALL . . . "no longer represents National Government".

by Bob Edlin

WHEN the Prime Minister, Rob Muldoon, dismissed TV1's Ian Fraser as of "no use to me", he said it all. Broadcasters are there to serve him, not to serve the public.

Muldoon made clear his expectations from BCNZ current affairs staff in his weekly column in Truth, in which he appraised the treatment of the Budget by TV1 and TV2.

TV2 (the channel he was thinking about selling off to private enterprise a few weeks back) scored well.

Significantly, it had "used Budget night to interview me in some depth with straight and intelligent questions, the answers to which helped elucidate some of the thinking behind the Budget.

"The following day, having had time to digest what was in the document, the Leader of the Opposition faced up to a similar series of questions which were broadcast that night. I believe that those who watched both programmes would have got something out of each of them, and about as much as television is able to do, given the limits of time."

TV1, in contrast, and "doubtless believing that it was being clever", had been remiss in asking Sir John Marshall to front up with the Leader of the Opposition and Ian Fraser.

"Budget programmes with two opponents and a precocious interviewer have never been very good, but on this occasion it was even less successful," Muldoon observed.

The problem for public enlightenment, as Muldoon explains, was that Sir John no longer represents the National Government and cannot keep up with the day-to-day detail of Government policy and administration.

The problem for TV1, of course, was that Muldoon wouldn't appear on the programme.

The reason given by Muldoon was that "TV1 wanted to use their precocious front man Fraser, but on his recent expressions of views and past performances on Budget night, he was no use to me".

Probably no Prime Minister had so strongly asserted that public broadcasters should be vehicles for Government publicity since Labour's Michael Savage set up the National Broadcasting Service in 1936.

Savage unabashedly intended radio to communicate unquestioningly the Government's policies and decisions to the public.

The first step in the formation of a national system of broadcasting in New Zealand had been taken in 1925, when an agreement was made between the Radio Broadcasting Company of New Zealand and the Postmaster-General. The company's main objective was to establish stations in the four main centres.

This was achieved by 1929.

The agreement expired in 1931 and was not renewed. Instead, a form of public control was set up through the New Zealand Broadcasting Board. This was given responsibility for extending the national broadcasting system.

Responsibility to Parliament for broadcasting matters had been vested with the Postmaster-General. But the Labour Party complained that the Government should be clearly responsible for the operation of such an important public utility.

Soon after its election in 1935, the Labour Government abolished the Broadcasting Board and brought its services under full departmental administration.

Permanent members of the service became officers of the Public Service. And the Government introduced the Ministerial portfolio of Broadcasting.

The Prime Minister himself filled the Broadcasting portfolio.

"The Government is going to be the master of publicity," he asserted.

It was. The news service was set up within the Prime Minister's Department. Later, it was moved to the Tourist and Publicity Department.

Radio news broadcasts essentially comprised ministerial handouts.

Not surprisingly, a sceptical public came to dismiss the service as nothing better than a propaganda machine.

That's largely the way things remained till 1961, when the National Government undertook a fundamental reform by transforming broadcasting into a public corporation. But it maintained the Broadcasting portfolio.

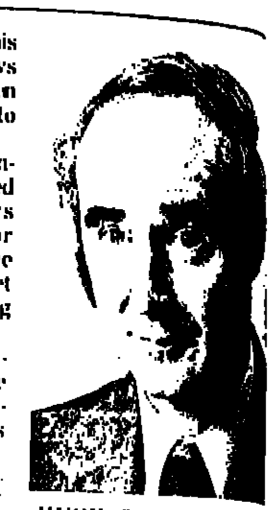
The whole point of setting up a statutory corporation is to allow operating independence by interposing a board between Government and State enterprise.

This should have reduced significantly broadcasting's vulnerability to political interference.

But the new constitutional arrangement doesn't seem to have been appreciated by the member for Tamaki, R D Muldoon. He was the first MP to ask a Parliamentary question on a matter for which there was no longer ministerial responsibility.

The Minister was Arthur Kinsella, and he declined to reply because the question involved an aspect of day-to-day administration.

The Speaker agreed that "the matters which are the subject of this question are not the responsibility of the



HUGH TEMPLETON . . . nominal Minister.

Minister. They have nothing to do with him. They are si[illegible] the responsibility of the corporation."

But dissatisfied MPs pre[illegible] for an arrangement [illegible] survives to this day wh[illegible] the corporation provide[s] Minister with inform[ation] with which to an[swer] Parliamentary quest[ions]. Thus the Minister is [an] formation link between [the cor]poration and Parliament.

But despite this and [the] formal arrangements for control of the Broadca[sting] Corporation, political [in]terference has been a co[nstant] irritant to broadcasters.

And Muldoon has been to [the] fore in a number of incid[ents] which have undermined [the] corporation's independe[nce].

He played a leading role [in] the Bick Affair in 1966, [which] culminated in the resign[ation] of current affairs prod[ucer] Gordon Bick.

That controversy surrounded the politica[lly] sensitive issue of whether [the] switch to decimal curre[ncy] would result in increa[sed] prices.

The Decimal Curre[ncy] Board's chairman [and] executive officer were [to] to be interviewed on [a] current affairs progra[mme] "Compass", if Muldoon w[ould] give permission. He would [not], maintaining that he would [be] the proper person to answ[er] criticism.

But he would not be allo[wed to] appear on television beca[use] of the three-month ban on [the] use of politicians in televis[ion] programmes three mont[hs] before an election which [in] those days was NZBC pol[icy].

Bick claims to have [told] Muldoon he would go ahe[ad] with the programme with the Decimal Currency Boa[rd], to which Muldoon retorte[d]: "We'll see about th[at]." Muldoon denies having [made] such a remark.

Whoever said what, [the] outcome was that the direc[tor-]general suddenly becam[e] interested in the project [and] screening of the programme was delayed till after [the] election.

Another controversy erupt[ed] in 1970, when the NZBC decided not to screen the pil[ot] Brian Edwards Show in which Muldoon — then Minister of Finance — appeared.

IAN FRASER . . . of "no use" to PM.

Muldoon issued at least three public statements, expressing disapproval at the decision and raising the issue of who would run the second channel. He said he was influenced against the corporation getting the channel because of its rejection of the Brian Edwards Show.

Major-General W S McKinnon was prompted to declare he "found it singularly disturbing that Mr Muldoon as a Minister of the Crown should publicly link the rejection of an unsatisfactory programme to the right of the NZBC to a second television channel at the very time when this matter was to come before Government for decision".

Another McKinnon statement observed: "Mr Muldoon appears to imply that the NZBC is likely to forfeit his support in Cabinet when the second channel issue is decided through failure to waive standards in this instance."

McKinnon said he felt certain Muldoon must appreciate that the NZBC could not respond to pressures, whether they took the form of threats or bribes.

Muldoon took a leading role in the row over the cost of "The Governor" in 1977.

He declared he had heard that the cost of production of the historical series on the life of Sir George Grey was $1 million, "a gross waste of money, regardless of the artistic merit".

The controller of programmes for TV1, Des Monaghan, countered that the cost was likely to be only $540,000 for "above the line" costs including extras, props and equipment".

A week or so later, Monaghan was more forthcoming; he explained that fixed "below the line" costs, including TV1 staff salaries, wages and other overheads could be $600,000.

Muldoon, not surprisingly, was "a bit angry" that Monaghan had disputed his $1 million and promised to "keep an even closer watch on taxpayers' money going into that television channel".

He also suggested that the Public Expenditure Committee should look at the cost of the programme. "It is the kind of thing the committee should do from time to time in terms of its order of references, and they might find it quite an interesting exercise — I certainly would if I were the chairman."

The committee took the hint and set up a sub-committee to probe the cost of the series.

Of course, if Muldoon's sole concern was to ascertain the cost of the programme, he could have found out merely by asking the Minister of Broadcasting for the information.

About that time, Muldoon was pushing through Parliament the SIS legislation.

TV1's "Dateline Monday" decided to do a programme on the issue, and this became the subject of an official Prime Ministerial complaint.

The complaints committee (three board members plus one outsider) upheld the complaint that the programme lacked balance. It was particularly critical that one part of the programme lacked objectivity and contained seriously misleading omissions.

But the committee was a bit hasty, apparently. A week later, it publicly apologised to Ian Fraser, the programme's frontman, for its suggestion he might have been dishonest in his opening remarks to the programme.

Muldoon has been even more active on broadcasting matters this year.

The BCNZ has been a regular subject of his Truth articles.

Indeed, he has virtually assumed the role of Minister of Broadcasting that Michael Savage officially felt the need to hold more than 40 years ago.

When the nominal Minister, Hugh Templeton, said that one option under study for TV2 was the introduction of education programmes at primary and pre-school levels, followed by entertainment programmes later in the evening, Muldoon retorted: "It is a new one to me. I would not think we have got much support for that in the short term."

Nothing has yet come of the idea.

Templeton supported the increase in licence fees sought by the corporation; Muldoon did not. Muldoon's view prevailed.

And just as he brazenly used the second channel issue to influence broadcasting decisions back in 1970, he has used the licence fee issue to intimidate broadcasters in the last month or so.

He has also threatened to strip the Listener of its monopoly right to publish TV programmes if it doesn't buck up its ideas. Which presumably means it should publish material that meets Muldoon's approval.

Savage openly declared that his Government would be the masters of publicity. Muldoon apparently differs only in not proclaiming his intent so unequivocally.

ROB MULDOON . . . licence view prevailed.

Tax tips fail to entice

by John Draper

BUSINESSMEN don't want to learn how to avoid the taxman's claw—or so it would seem.

At least, few are willing to spend a few days in a Fijian resort hotel learning from the master, tax renegade Peter Clyne.

And so the congress has been rescheduled for August 4-6 in Sydney.

Wellington businessman and organiser Henry Newrick said bookings had been much lighter than expected.

Businessmen had expressed a preference for the Australian venue, he said, because they could more easily claim the expense as a legitimate tax deductible item.

"Some said the cost of going to Fiji was too much and it would be difficult to claim the deduction when going to a resort hotel," Newrick said.

"Others would be in Australia for business anyway."

Newrick claimed he was not unduly disappointed at the low response.

"It does not matter to me if there are 10 or 100 there," he said.

Sydney offered better professional recording facilities than Fiji did, Newrick said, and the intention was to sell tapes of the keynote speeches.

Property magnate Bob Jones will be addressing the conference as will Auckland barrister Bruce Grierson who will speak on alternative tax systems.

Peter Clyne is expected to drop in from his Vienna hideaway to give a few tips on how to kick the tax paying habit and promote his latest book "How to survive a financial crisis".

LETTERS

Wine drinkers demand voice

AFTER reading the Industry Study and Development Plan issued by the Wine Institute of New Zealand, and making a serious endeavour to comprehend the meaning and implications of the incredible wealth of statistics, graphs and forecasts on all subjects pertaining to the health and progress of the wine industry, I have noted several learned and technical articles in the news media which single out issues of concern to we, the consumers.

One of the important roles of the newly formed Wine & Food Society of New Zealand is to provide a voice for the consumer and for the numerous member-societies throughout the country (total strength 800 so far), but also for the wine loving and drinking public.

May I, therefore, add my views on a few aspects of some of the subjects dealt with in the report, which I think relevant.

Being involved in the "world of wine", and an independent enthusiast, many of the winemakers are friends in whose activities I take a great interest and for whom I have a tremendous respect. I also have a very real admiration for the executive of the Wine Institute and in the progress and results they have achieved, in a short time, under continuously difficult circumstances.

However, although I am sure that they are sincere when they list one of their objects as concern for the interests of consumers by maintaining quality standards, etc, because the Institute (rather like a union) is solely composed of people in the industry, it is only natural that the prime consideration must be for the general benefit and continuing well-being of its own members. Who can blame them? Of course, both objects should and can really be complimentary for success, but it does not always work out that way.

Possibly a solution could be for one, or even more executive members to be appointed from outside the trade with no conflicting or self-interest.

Everybody seems to agree that the cost of a bottle of "quaffing" wine to the consumer has now reached the dangerous level at which resistance is apparent and, instead of increasing the numbers of regular wine drinkers overall, as indicated by projected estimates, many people who have recently "discovered" wine, may steadily be lost. Even some of the premium wines are now thought to be becoming too expensive, despite the quality factor. I continually have complaints on this subject and do my best to explain the problems of high cost machinery, labour, the ever-spiralling cost of grapes, etc, but it becomes more difficult to justify many obviously overpriced examples.

To retain and increase the wine drinking public, reasonable quality, clean and honest wines must be produced at prices low enough for the consumer to buy, for home use, or at a restaurant, without feeling it is a "special occasion only" beverage. Possibly the industry, and particularly the smaller wineries, should be thinking of the viability of some kind of co-operative system — particularly in the area of expensive plant and machinery. It appears to work in many parts of Europe.

With regard to premium wines, it could well be an idea to stipulate that at least an approximate selling price for wines entered in the national wine competition, and available for later distribution, should be indicated before the event.

The old argument regarding the iniquitous sales tax system is, of course, very valid indeed, and it is to be hoped that early adjustments may give some price relief, particularly on lower priced wines.

Many figures in the report are obviously estimates, and those referring to future population and consumption may well be optimistic, but if the number of wine enthusiasts grows as expected, I feel an ever-increasing proportion will become interested enough in the subject to consume more red wine than the 8.7 per cent of total wine production projected for 1985, with which to taste, enjoy and widen their horizons. Planning on the basis of these figures could be a mistake.

Much has been written about the proposed regulations regarding water content in wine and the addition of sugar. Whilst it is good to finally recognise these well-known problems officially, much thought must go into any final regulations. Though the suggested allowance of 3 per cent water for premium wines (to take care of additives) is fair enough, the possibility of a legal 25 per cent added water content is rather frightening and should be re-thought or further explained.

Despite many arguments about sugar addition, it is in many cases often necessary, in our climate, to produce the minimum desirable level of alcohol — as is the case in a number of other wine grow[ing] countries. Should it be add[ed] for any other purpose there [are] now enough vocal w[ine] writers to rapidly detect [its] excess presence in qu[ality] wines and to ensure that [the] practice proves detrimental [to] the guilty parties.

Let us hope that more [at]tention is paid to the wish[es] and requirements of th[e] consumers — without us there would be no industry.

Stanley L Ham[...]
Presid[ent]
Wine & Food Society [of]
New Zeal[and]

Sceptics search for strings to Libyan loan

by David Robie

IS TONGA'S Libyan connection all that it is cracked up to be?

That is the question on the minds of many foreign aid advisers in the South Pacific kingdom and even some Tongan Government sources are sceptical.

There hasn't yet been any sign of the no-strings-attached $3 million soft-loan from Libya announced by the Tongan monarch after a trip to Tripoli last March.

But King Taufa'ahau Tupou IV assured NBR the loan was definite and it was only a matter of time before the money was advanced for upgrading Fua'amotu international airport for jumbo jets.

And after all, he virtually is the Government (he appoints the ministers and governors that make up the Cabinet and the Prime Minister is his brother, Prince Fatafehi Tu'ipelehake).

The amount involved in the loan is equivalent to about half the annual remitted wages from Tongans living in New Zealand and, according to the King, it will be used to extend the runway from 1400 to 3660 metres and for construction of an improved terminal building.

King Tupou looks to the new airport as a vital step toward his dream of transforming his semi-feudal kingdom into a modern mini-state. As he sees it, tourists would flock in from countries on the rim of the Pacific such as Japan and the United States (already about 67,000 tourists a year visit the country—more than two-thirds of the total population).

And air freight would be just as vital. The monarch sees agricultural production becoming sufficiently mobilised to enable his country to become a major supplier of market produce and tropical fruit to New Caledonia and French Polynesia, reducing Tongan economic dependence on New Zealand.

Whether this is a realistic vision is another matter.

The Tongan version of the friendship declaration with Libya is a good deal less optimistic than the English.

And although in the interview the King was insistent on the validity of the Libyan pledge, he seemed reluctant to give details.

In reply to persistent questioning, he said simply: "We are trying to draw up a masterplan for the airfield."

He said: "When the masterplan is ready then we will talk to the Libyans again. They may send a delegation to have a look."

The King said the "masterplan," detailing work on the runway and a temporary terminal, was being prepared independently of the Libyans—"in other countries with higher technical capabilities".

But he didn't elaborate or name the countries.

The situation seems contradictory to King Tupou's statements in March giving the impression that Libya was prepared to bend over backward to assist the country.

"What on earth can Libya find of interest in little Tonga?" mused a foreign diplomat. But in fact the Tongans have been attracting increasing and more diversified aid, notably from the European Economic Community under the Lome convention.

About $1.6 million worth of construction and road-building machinery was handed over to Tonga last month, a gift from the European Development Fund, and will be used to upgrade the airport road.

Asked about New Zealand's eight-to-one trade advantage over Tonga, King Tupou admitted: "We are not happy with this imbalance—but at least it is two-way trade."

He contrasted this with Australia which he criticised for its negligible imports from Tonga.

Ski industry prays for snow

Christchurch Correspondent

"PRAY for snow." The familiar greeting amongst skiers is increasingly heard these days in the urban smog of Christchurch. It's a cry with a ring of desperation about it for southern snow equipment firms, service operators and ski-field investors.

This is the time of the year when the heavy influx of overseas tourists swells numbers — and bank accounts — on the ski slopes of the usually snow-blanketed Southern Alps.

But this year the Alps look more like Arizona — at the height of summer — and the fear is that some of the expected American tourist traffic might decide to stay at home and see the real thing.

Confusion and uncertainty caused by the fierce competition over international air fares, the DC10 debacle and the energy crisis all add up to strained liquidity on the part of travel operators and ski-field companies. But there is no headache more irksome for a ski company than an absence of snow.

Weekend closures of main highway petrol stations hasn't only meant financial hardship for the resellers but also problems for ski-field companies. Carless days are looming as another pruning of already limited midweek attendances.

Peter Yeoman, chairman of the Mount Hutt Ski and Alpine Tourist Co Ltd, worries: "With a new chapter in the world energy scene commencing, we must be prepared to cope with the changes that could be imposed upon us."

He sees part of the answer in improved marketing. "The potential of New Zealand as a tourist destination is accepted but aggressive promotion in very large and competitive markets is essential if that potential is to be realised. The Government recognises this in the provisions of the Budget."

Well, almost. True the Budget extended export performance incentives to tourism for the first time, recognising the whopping amount of foreign exchange that the sector earns. But as Yeoman wryly concedes: "The 1979 Budget recognises tourism as an export industry but the new incentives will not directly benefit companies such as ours which provide tourist facilities, nor does our plant qualify for investment allowances available to other export industries."

MILD WINTER ... threatens to melt ski industry profits.

He adds: "What is not yet fully appreciated in New Zealand is the marketability of our winter sports facilities particularly skiing. Active promotion by ski areas has gained entry to the Australian market but the very large market in the Northern Hemisphere is virgin territory. Internationally skiing is big business and growing."

Advertising is beginning to step up for ski holidays and Mt Hutt, a relatively new field now recognised internationally following F I S series races there, is the one in the limelight. The season opened there on May 26 only a day later than in 1978 when a long (May 25-December 4) season helped swell turnover 17.7 per cent to $839,699 and total skier days beyond 100,000.

It isn't too surprising that this field should be the centre of attention . . . for miles around Mt Hutt's snow there is nary a snowflake and if the exceptionally mild South Island winter continues much longer the chances of a profitable 1979 season will melt in the above-zero temperatures.

There have been light snowfalls at Mt Hutt since the first fall on May 26 but the firm is not predicting trends. Radio-telephone advisory service seekers gave NBR a cryptic message: "Light northerlies, 4cm with 50cm base, all lifts operating, chains required. Other fields? No snow, none at all."

Major tourist operator Mount Cook Tours has just opened a Methven office to promote ski tours of Mount Hutt, Tekapo, and Treble Cone as well as Coronet Peak. A company spokesman Ken Cherry told NBR: "We only begin to market skiing from July 1 and the real flood of tourists from Australia doesn't start until August-September. I'd rather have no snow now than in August."

In August last year Coronet Peak, Queenstown, was closed for two weeks but Cherry says "despite a disastrous 1978 snow season we're no longer dependent on Coronet Peak and that will be soon evident in our results." He added that Mt Cook is adopting a flexible approach. "We are selling winter holidays rather than ski trips, saying come anyway if you can't come later and we'll locate snow somewhere else for you . . . at Treble Cone, Tekapo and Mt Hutt."

"It's a little early to be worried; most of the fields open in July."

Mt Hutt's profit in the 1978-79 year was up 23 per cent to $108,381 and the dividend rose from 6 to 7 per cent. Losses carried forward for tax purposes are being diminished and this could place the company in a tax paying situation within the next two years subject to the tax effect of a possible further stage of development.

This is a treble chair which will double the skiing area and increase main lift capability by 25 per cent. Development in 1978-79 was designed to cope with increased demand and upgrading temporary facilities.

Yeoman says the field has unused capacity mid-week and in spring and the obvious source of extra skier days is overseas.

"The Australian market has stabilised but other markets have great potential particularly if the trend to lower winter season air fares continues."

The field has a flourishing ski school with a school programme catering for 6000 pupils last year, some indication of how well known the high field has become. Mt Hutt south peak is 2075 metres above sea level

Further south the new Lake Ohau ski field company formed early in 1978 is awaiting snow. Chairman Derek Satterthwaite, a Timaru sharebroker, said in the prospectus for the issue of 150,000 ordinary $1 shares that "at a height of 6900ft our field does not suffer from [illegible] problems."

He sees skiing as a g[illegible] sport and Lake Oh[au] promising to be an aggr[essive] marketer.

Admittedly the seas[on at] Lake Ohau started on [illegible] in 1978. But the field d[id] October 8 when there [was] probably more snow th[an] any other time during winter.

Nevertheless it was la[ck of] snow on more southern f[ields] that gave Lake Ohau gr[eat] exposure to the public that company could have hope[d] in its first season, and initial level of Austr[alian] visitors was a very [en]couraging 30 per cent of sk[iers].

Some 11,000 skiers vi[sited] Lake Ohau in 1978 and produced a gross reve[nue of] $85,000 which enabled company to break even running costs for its ca[pital] year.

Improvements to be facilities and the road carried out last year. [illegible] funds available mostly road expenditure [illegible] upper area of this upgraded and is suita[ble for] both cars and coache[s].

At the foot of the ski situated the Lake Ohau [Lodge] which the company [illegible] a unique situation [in New] Zealand. The lodge [has] completed a further [illegible] and now provides [ac]commodation for 130 and the nearby Glen [illegible] Club has accommoda[tion for] 30. Within 30 minutes [of] Omarama where the motor lodge has 230 b[eds] the new Trans Holdings [illegible] the Pacific.

Stage Coach Inn [illegible] initial 70 beds with an[other] expected in late '79.

Satterthwaite says t[hat] there are probably 600 available within half an [hour's] travelling distance fro[m the] ski field and this incre[ases to] 1000 beds within an [illegible] drive.

"We have an abund[ance of] accommodation which cater for any po[ssible] requirements from the luxurious room to a ca[illegible] the Omarama Motor Ca[illegible]

Lake Ohau expects [illegible] dividend to share[holders] within the next three ye[ars] it will be necessary to adequate day faciliti[es] [ab]sorbing surplus funds.

One of the shareh[olders] looking forward to that dividend is the e[illegible] Christchurch private station Radio Avon La[illegible] earlier this year bo[ught a] $70,000 slice of the snow[illegible]

Avon chairman Paul [illegible] lock said his comp[any was] impressed with [illegible] potential. Before com[mitting] money Avon directors [had a] good look at the field and discussed touris[m and] skiing with experts in the [illegible] "It was clear from discus[sions] with the Tourist Hotel [Cor]poration, that the THC association with Mt Cook [illegible] the ski company have a [illegible] to do everything possible [illegible] beds by using special [illegible]

Meantime as Christc[hurch] ski equipment centre [illegible] are saying: "We're all pra[ying] for snow. It will come and [it's] premature to worry.

"But if it isn't snowing by [illegible] school holidays [illegible]

Industry signs up for review

by Peter Isaacs

THE plastics industry has taken the plunge and signed up for a Government industry review. The decision follows several years uncertainty by the Plastics Institute of New Zealand as to whether it would recommend the survey or not.

"We want positive results," said John Mason, chairman of the PINZ forward planning committee.

"We want much more positive results than the leather and ceramics industries obtained from their reviews," he said.

Earlier, there had been considerable doubt within the industry about the review because of the fear that it would tie up valuable industry personnel — and because of the cost to the trade group.

The Trade and Industry Department has always been keen for the plastics industry to undergo what has been described as trade group "psychoanalysis".

Trade and Industry's assistant secretary for industry Derek Homewood addressed last year's mid-year PINZ conference on the topic.

Now that the PINZ planning committee — the industry group's most influential committee — has given its stamp of approval to the scheme, it is up to individual companies to lay their souls bare in order to provide the facts on which projections for the industry can be based.

Mason said that review was designed to underline the importance of the industry as an export earner.

The industry's full-scale commitment to the export market had become even more critical now, with the stagnation of the home market, he said.

The industry-wide review comes at a time when there is growing interest in the precise export value of plastics. The raw material is totally imported and virtually all the machinery is imported too.

The review will go some way to defining the value — present and future — of the plastics industry to the nation as a whole.

There is, for example, a strong school of thought within Trade and Industry that holds that aspects of injection moulding and extrusion, and even blow moulding in New Zealand are now so efficient among local manufacturers that New Zealand products are entering a phase of extreme competitiveness on world markets.

Mason strenuously denies that the acceptance of the industry review means that the plastics industry leaders are deliberately cosying up to the Government with a view to looking after their protection — a very sensitive issue right now with the Government's stated aim to pursue a more free market policy.

Firm enters big league

GENERAL Plastics of Masterton moves firmly into the league of big manufacturers following the company's takeover of G Herring NZ Ltd of Upper Hutt.

Along with its sister company Plastalon, General Plastics now has a substantial manufacturing base with a payroll of more than 200.

"Our main emphasis now is on expanding exports," said General Plastics general manager Alex Majboroda. He estimates that 25 per cent of production will soon be exported by General Plastics-G Herring which specialises in making buttons.

Plastalon in recent years has built up a sizeable export of its rainwear and now sends 30 per cent of production overseas.

Walling wins acceptance

NYLEX Fletcher's Studio range of walling has proved a big seller in the highly competitive markets of Hong Kong, Singapore and Malaysia.

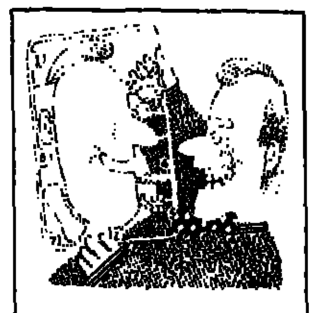
Among some of the major projects using this New Zealand-made walling are a new wing of the Jayapuri Hotel in Kuala Lumpur, the Shanghai Banking Corporation of Hong Kong and the new passenger sea terminal in Singapore.

These project contracts were all won against competition from the United States, Britain, France and Germany.

Working in conjunction with other New Zealand companies, Nylex Fletcher provided vinyl facing materials for kitchen cabinets which were part of a $1.3 million export order to Hong Kong.

Nylex Fletcher has also stepped up its tarpaulin sales to Australia — the coverings are now standard in all but a single state.

Nylex Fletcher general manager Tony Farrow said that the company's philosophy now is to regard Australia as "virtually a home market".



NZ PLASTICS

Investors buy into plastics

PLASTICS companies are figuring large on the shopping list of several conglomerates. A round of company purchases which seemed scheduled for 1979 were frozen only because of the quantum jumps in raw materials prices.

But if, as some people are predicting, raw materials prices settle down by the end of the year, New Zealand's conglomerates are certain to be looking for acquisitions in the plastics field.

The energy economy of plastics manufacturing is particularly attractive, as is the export potential in a range of processes where New Zealand companies have demonstrated pre-eminent skill. Metal insert, injection moulding and extrusion are two examples.

Forest Products is clearly interested in plastics manufacturing as a strategic diversification. The conglomerate showed its hand last year with the purchase of a 60 per cent interest in Marley Co NZ Ltd.

A factor behind the share purchase was that in Australia, Marley has no manufacturing facilities. This opens up export possibilities and strengthens Forest Products' merchandising outlets.

The classic example of a conglomerate making good in plastics is Winstone, which acquired the innovative Nova company of Porirua.

Now Winstone runs one of the two largest plastics factories in the country at Palmerston North.

With some ranges of raw material currently on allocation, it is unlikely to see any substantial acquisitions.

However, New Zealand's position as one of the last free markets for plastics raw materials (because there is no manufacturing more complex than compounding) also makes the industry attractive for investors.

Transparent shifts south

TRANSPARENT Packaging Ltd has shifted its southern region branch activities from Palmerston North to Wellington.

Company managing director Allan Bloomfield said the shift was made after a review of trends within the industry and because of new "efficient" transport arrangements between Auckland and Wellington.

Founded in 1970, Transparent Packaging is a converter of a variety of polythene films, notably of co-extruded films.

The company has a share of the fast growing Australian packaged wine business and the medical supply industry.

Because the company does not maintain an Australian office, it became all the more important to establish in Wellington, Bloomfield said.

The company also markets protective disposable backing for adhesive floor tiles and laminates, and brightly coloured striped film for swimming pool covers.

Strike hits toy exports

THE railway dispute has threatened one of New Zealand's largest export lines in consumer goods.

It endangered a substantial $60,000 order for Torro Toys from the Netherland — the first big order for PDL from within the EEC.

The dispute also threatened the export of Torro Toys to the United States, where the toys are distributed through the Montgomery Ward chain.

Talus makes takeover bid

TALUS Brushware, the nation's biggest manufacturer of toothbrushes, has bought an engineering company — the Safety Manufacturing Co, which is well known for its towbar coupling components.

Both companies are Levin-based.

The takeover was a logical move in several aspects. Safety Manufacturing had become a substantial component supplier for Talus' power brushware.

Talus is part of Salmond Holdings.

Over the years both Safety Manufacturing and Talus have become closely associated with the success of Levin as perhaps the nation's most go-ahead secondary manufacturing centre.

Dibro refines recycling

DIBRO NZ Ltd has developed a consumer product made almost entirely from recycled plastic. The company uses offcuts from Calvert Plastics, of Stokes Valley, to make "glass" ball Christmas decorations.

Petone-based Dibro, the country's leading vacuum metalliser, regrinds the offcuts and then moulds them into thousands of the spherical decorations. Then the balls are vacuum metallised and appear to be indistinguishable from real glass.

The idea for the manufacture of the glass look-alike balls came after Dibro director Beryl Dickinson had noticed how the glass balls broke, and often cut the hands of children.

The company's ability to make a plastic product resemble a metallic product has taken it into some unusual lines, including coffin handles which the company once exported to Australia.

Geoff Thomas bows out

PLASTIC Fabrications, often considered to be the most profitable plastics manufacturer in terms of people employed, has just changed hands.

Bob Upton, who describes his background as "diverse", has just taken over the firm. The former owner and founder, accountant Geoff Thomas, has taken off for a long overseas trip.

Thomas began his career as a draughtsman, later switching after the war to accountancy.

Then, he switched to fabricated plastic. With a staff of two he built a solid reputation for highprecision plastic engineering.

The company under Thomas never advertised and you had to look very hard to find his factory in a loft near Wellington's Courtenay Place.

"I always consider it a compliment that people take so much trouble to find me," Thomas noted just before he retired.

Thomas abolished all unnecessary overheads and wrote all his own letters in longhand in a manifold book.

Another principle was never to turn anyone away. But to ensure that Plastic Fabrications never got lumbered with business that could not pay for itself, he tended to overstate the production difficulties involved.

Plastic Fabrications has made such diverse products as precision geometric instruments, baby incubator parts, and the domes for the All Sky camera which monitors the aurora around the world.

"What we make one week bears no relation to what we make the next," recalled Thomas a few years ago. "I have to be an electrician, carpenter, and plumber."

About his raw material, he noted: "Everyone knows what to do with stone, wood and metal. But plastic is different. For example, it has seven times the expansion of metal."

Wine casks boost exports

WRIGHTCEL NZ, of Feilding, has just seen its exports top the $1 million mark.

The exports have been driven along to a substantial degree by the company's export of wine casks to Australia.

These have accelerated recently due to the company's manufacture under licence of a three piece sealed tap which uses a push down button to release the wine.

A spokesman for Wrightcel said the wine cask exports represented "more than 10 per cent and not as much as half" of this total figure.

The company exports a wide range of products including bags for maturing cheese.

The plastic bags, modelled on the concept of the old goatskin, are revolutionising drinking habits in Australia, and to a lesser extent in New Zealand.

The main advantage over glass bottles is that the tap attachment to the plastic bag allows the wine to be drunk at leisure without losing its body. The bag collapses around the wine.

The plastic bags, made by laminating several layers of plastic film together have been perfected by the Wright company, a subsidiary of an Australian firm.

The New Zealand company has operated for 15 years.

Raw material shortage

THE managing director of Techni Chemical Industries, Gerald Krynen, predicts the plastics raw material supply shortage will ease toward the end of the year, as the United States enters a severe recession.

Krynen has just returned from visiting principals in the United States.

"The current thinking is that the recession will see PVC price falling to $800 or $900 a tonne," he says.

He said that raw material suppliers, based in the United States, are anticipating the Opec oil increase will usher in the United States recession toward October this year.

In the meantime, Krynen said prices will continue to rise — PVC should rise to about $1200 a tonne.

"Basically, we are going through exactly what we went through after 1973 — but this time it is taking longer to build up," Krynen said.

The feeling in the United States was that prices would not continue to rise because of the liquidity shortage in the industry itself, Krynen emphasised.

Mild winters help giant rigs pulverise roads

by Bob Stott

SOME may have been convinced by the recent rail strike and huge rail losses that we would be better off without a railway.

But they should ask: Why does the typical New Zealand highway pack up if it is subjected to a sudden increase in heavy truck traffic?

Answer: Because New Zealand has mild winters.

Because of our mild winters, road upkeep costs increase at a rate directly proportionate to the numbers and weights of axles passing over them.

This is not the case in the land of the Kenworth, the Mack, the Volva and the Scania . . . the countries of North America and Europe, where the big rigs are built.

Road builders in those countries must build roads that can withstand the cold winter and the traffic.

In countries where the ground freezes in the winter, a phenomenon known as frost heave occurs. A road's pavement must be strong enough to withstand the pressures brought about by this freezing of the ground and the subsequent thaw.

A road pavement built to withstand frost heave may be 30 times as strong as is needed to take the weight of heavy truck traffic.

As the EEC countries increase permissible vehicle weights, the manufacturers churn out trucks built to the new standard, and these vehicles are offered for export.

New Zealand's roads have evolved in our temperate climate — we have tended to build pavements strong enough to take the sort of traffic anticipated during the life of the pavement.

Our roads therefore are closely tailored, not to the demands imposed by harsh winters, but by the vehicles themselves.

Thus our roads don't have the built-in extra strength found in Europe.

Our highway pavements are in fact fatigue structures — they are designed to take a certain amount of traffic before needing rebuilding.

The passage of an axle over the road imposes a bending movement (a parallel is to bend a piece of wire to and fro until eventually it snaps). But if we make the pavement thicker it will take more bending before giving way.

What we spend on highways each year is directly related to the numbers and weights of axles using those highways. If we increase road traffic to a marked degree, we will have to budget for a proportionate increase in highway spending. The money will come from the operators of heavy trucks in the form of road user charges so the roading accounts won't get into a "loss" situntation.

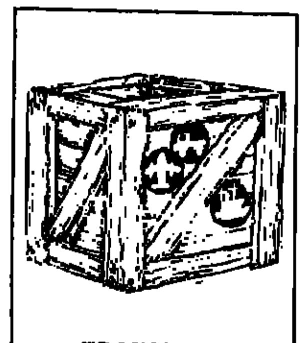
We could build stronger roads, and even a small increase in pavement cross-section can give a worthwhile increase in strength. An extra 25 millimetres of pavement will double the number of eight-tonne axles a roadway can take in its life, while an extra 100mm gives a tenfold increase in pavement life.

There is a price: Ministry of Works estimates 50 cents per square metre for an extra 25mm of pavement thickness in the case of a typical rural road.

And we have a lot of roads, a small population and a shortage of resources.

According to the 1978 Yearbook, our capital investment in roading exceeds investment in all other forms of transport. We have 96,000 kilometres of roads and 13,397 bridges.

The cost of providing adequate roads as a proportion of annual investment is relatively high in comparison with many other countries largely because of the nature of the country and the wide variety of terrain.


TRANSPORT

Annual expenditure by central and local Government exceeds $180 million of which a third is for maintenance.

If the Europeans increase permissible axle loads, and if the vehicle exporters offer us bigger trucks designed to take advantage of the new limits, and if we run them fully laden on our roads — we will have to pay more in road costs.

What we can't afford to do, is to quickly upgrade all those 96,000 km of highways to European standards.

Situations sometimes arise to remind us that our roads are tailored to the anticipated traffic and not the rigours of winter. An example is the Napier-Taupo road, rebuilt at enormous expense in the late 1950s and early 1960s.

The road had not been completed for long before pine forests in the hinterland reached maturity and a pulp mill was built on the outskirts of Napier. With the opening of the mill, traffic on the road increased three or fourfold and the road wore out at the same accelerated rate.

Roads today are built to standards related to current maximum axle loads, and the same standards are adhered to when a road falls due for overhaul. But it is not possible to upgrade all roads at one, so some 80 per cent of highways show accelerated wear if used by large numbers of the heaviest vehicles.

The Ministry of Works can upgrade a road so that it is ready to take a traffic increase. But there's often not much warning. It takes years to go over a long length of road such as Napier-Taupo and in this case, the mill was open and running before much could be done to the road.

It can be argued that because the cost of building and maintaining roads to a standard suitable for heavy trucks is paid by truck operators' road user charges, there's no real cause for concern if roading costs soar.


ROAD PAVEMENT . . . bends under eight tonne axles.

But if the axle load limits were suddenly raised, allowing the use of the very biggest trucks, road user charges would have to rise, and that might well cancel out the economic advantages of using the bigger vehicles.

The relationship between traffic and wear is quite different in the case of rail transport. The situation with rail is far more complicated — factors such as axle loads, suspension design, rail metallurgy, curvature and numbers of bolted rail joints (as opposed to welded joints) all play a part in determining how a railway track will react to traffic.

Surprisingly, in view of the relative antiquity of the conventional rail-sleepers-ballast combination, there is no widely accepted rule of thumb relationship between traffic and wear.

In New Zealand, about one-third of the cost of maintaining a length of railway is variable according to the amount of traffic using the route. A complication is that this maintenance cost includes signals, culverts and bridges, and even lineside fencing.

Even so, experience has shown that the output of a typical heavy industrial plant (for example a pulp mill) would need no more than a couple of extra trains a day, and that those two extra trains can be accommodated with no measurable change in track maintenance costs.